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# GOLD BOOK

PRACTICE TEST AFTER THE COURSE

1. Price is best described as
  - A. What suppliers charge for goods and services.
  - B. The amount of money consumers are willing to pay for a product or service.
  - C. The amount of money a buyer and seller agree to exchange to complete a transaction.
  - D. A control placed on prices by the federal government.
  
2. Four principal determinants of value underlying the price for a product are
  - A. Durability, quality, scarcity, and materials.
  - B. Desire, utility, scarcity, and purchasing power.
  - C. Popularity, utility, quality, and discount.
  - D. Desire, costs, convenience, and time.
  
3. 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
  - A. Will stabilize, since the population must stabilize
  - B. Will increase.
  - C. Will decline, since no further building can take place.
  - D. Will not show any predictable movement.
  
4. If there is a significant undersupply of homes in a market, construction will tend to increase. This is an example of
  - A. Supply outstripping demand.
  - B. Overpricing products.
  - C. The price mechanism.
  - D. The market tending toward equilibrium
  
5. If commercial real estate rental prices are falling in a market, it is likely that
  - A. Demand has outstripped supply of space.
  - B. The market is in equilibrium.
  - C. The market is over-supplied.
  - D. Employment is increasing.
  
6. Which of the following is an important economic characteristic of real estate?
  - A. The demand must literally come to the supply.
  - B. Real estate is a highly liquid product.
  - C. The product is quick to adapt to market changes.
  - D. The market is centralized.
  
7. The foremost factor contributing to commercial and residential demand in a market is
  - A. Marketing.
  - B. Base employment.
  - C. Existing supply of properties.
  - D. Household income.
  
8. A construction boom in a market is an indication that prices
  - A. Have been increasing.
  - B. Have been declining.
  - C. Have been in equilibrium.
  - D. Have exceeded supply.
  
9. A local government could stimulate the real estate market by
  - A. Increasing labor costs and curbing the money supply.
  - B. Increasing taxes and interest rates.
  - C. Declaring a moratorium on construction.
  - D. Expanding the sewer system.
  
10. Two important concerns of retail property users are
  - A. Trade area population and spending patterns.
  - B. Quality of life and dwelling amenities.
  - C. Costs of occupancy and building efficiency.
  - D. Environmental regulations and access by suppliers.

11. Two important concerns of office property users are
  - A. Trade area population and visibility.
  - B. Convenience and neighborhood make-up.
  - C. Costs of occupancy and building efficiency.
  - D. Environmental regulations and zoning.
12. As a component of real estate value, the principle of substitution suggests that
  - A. If two similar properties are for sale, a buyer will purchase the cheaper of the two.
  - B. If one of two adjacent homes is more valuable, the price of the other home will tend to rise.
  - C. If too many properties are built in a market, the prices will tend to go down.
  - D. People will readily move to another home if it is of equal value.
13. Highest and best use of a property is that use which
  - A. Is physically and financially feasible, legal, and the most productive.
  - B. Is legal, feasible, and deemed the most appropriate by zoning authorities.
  - C. Entails the largest building that zoning ordinances will allow developers to erect.
  - D. Conforms to other properties in the area.
14. The concept of market value is best described as
  - A. The price a buyer will pay for a property, assuming other similar properties are within the same price range.
  - B. The price an informed, unhurried seller will charge for a property assuming a reasonable period of exposure with other competing properties.
  - C. The price a buyer and seller agree upon for a property assuming stable interest rates, appreciation rates, and prices of other similar properties.
  - D. The price that a willing, informed, and unpressured seller and buyer agree upon for a property assuming a cash price and the property's reasonable exposure to the market.
15. A significant difference between an appraisal and a broker's opinion of value is
  - A. The appraiser tends to use only one or two of the approaches to value.
  - B. The broker may not be a disinterested party.
  - C. The broker is subject to government regulation in generating the opinion.
  - D. The appraiser uses less current market data.
16. A notable weakness of the sales comparison approach to value is that
  - A. There may be no recent sale price data in the market.
  - B. The approach is not based on the principle of substitution.
  - C. The approach is only accurate with unique, special purpose properties.
  - D. Sale prices cannot be compared, since all real estate is different.
17. The steps in the market data approach are
  - A. Choose nearby comparables, adjust the subject for differences, estimate the value.
  - B. Gather relevant price data, apply the data to the subject, estimate the value.
  - C. Select comparable properties, adjust the comparables, estimate the value.
  - D. Identify previous price paid, apply an appreciation rate, estimate the value.
18. 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.
19. To complete the sales comparison approach, the appraiser
  - A. Averages the adjustments.
  - B. Weights the comparables.
  - C. Discards all comparables having a lower value.
  - D. Identifies the subject's value as that of the nearest comparable.

20. One weakness of the cost approach for appraising market value is that
- Builders may not pay market value for materials or labor.
  - Market value is not always the same as what the property cost.
  - Comparables used may not have similar quality of construction.
  - New properties have inestimable costs and rates of depreciation.
21. The cost of constructing a functional equivalent of a subject property is known as
- Reproduction cost.
  - Replacement cost.
  - Restitution cost.
  - Reconstruction cost.
22. An office building lacks sufficient cooling capability to accommodate modern computer equipment. This is an example of
- Physical deterioration.
  - Economic obsolescence.
  - Incurable depreciation.
  - Functional obsolescence.
23. A home is located in a neighborhood where homeowners on the block have failed to maintain their properties. This is an example of
- Curable external obsolescence.
  - Incurable economic obsolescence.
  - Functional obsolescence.
  - Physical deterioration.
24. In appraisal, loss of value in a property from any cause is referred to as
- Deterioration.
  - Obsolescence.
  - Depreciation.
  - Deflation.
25. The first two steps in the cost approach are to estimate the value of the land and the cost of the improvements. The remaining steps are
- Estimate depreciation, subtract depreciation from cost, and add back the land value.
  - Subtract deterioration from cost, estimate land depreciation, and total the two values.
  - Estimate depreciation of land and improvements, subtract from original cost.
  - Estimate obsolescence, subtract from the cost of land and improvements.
26. The roof of a property cost \$10,000. The economic life of the roof is 20 years. Assuming the straight-line method of depreciation, what is the depreciated value of the roof after 3 years?
- \$10,000
  - \$8,500
  - \$7,000
  - \$1,500
27. The income capitalization approach to appraising value is most applicable for which of the following property types?
- Single family homes.
  - Apartment buildings.
  - Undeveloped land.
  - Churches.
28. The steps in the income capitalization approach are:
- Estimate gross income, multiply times the gross income multiplier.
  - Estimate effective income, subtract tax, apply a capitalization rate.
  - Estimate net income, and apply a capitalization rate to it.
  - Estimate potential income, apply a capitalization rate to it.

29. Net operating income is equal to
- Gross income minus potential income minus expenses.
  - Effective gross income minus debt service.
  - Potential gross income minus vacancy and credit loss minus expenses.
  - Effective gross income minus vacancy and credit loss.
30. If net income on a property is \$20,000 and the cap rate is 5%, the value of the property using the income capitalization method is
- \$100,000.
  - \$400,000.
  - \$1,000,000.
  - \$4,000,000.
31. The principal shortcoming of the gross rent multiplier approach to estimating value is that
- Numerous expenses are not taken into account.
  - The multiplier does not relate to the market.
  - The method is too complex and cumbersome.
  - The method only applies to residential properties.
32. The monthly rent of a property is \$3,000, and the gross rent multiplier (GRM) is 80, what is the value of the property?
- \$45,000.
  - \$240,000.
  - \$267,000.
  - \$288,000.
33. A homeowner borrows money from a lender and gives the lender a mortgage on the property as collateral for the loan. The homeowner retains title to the property. This is an example of
- Intermediation.
  - Forfeiture.
  - Hypothecation.
  - Subordination.
34. Which of the following best expresses the mechanics of a mortgage loan transaction?
- The borrower gives the lender a note and a mortgage in exchange for loan funds.
  - The lender gives the borrower a mortgage and receives a note in exchange for loan funds.
  - The borrower receives a note in exchange for a mortgage from the lender.
  - The lender gives the borrower a note, loan funds and a mortgage.
35. In a deed of trust transaction, which of the following occurs?
- The beneficiary conveys title to a trustee in exchange for loan funds.
  - The trustee conveys title to a beneficiary in exchange for loan funds.
  - The trustor conveys title to a trustee in exchange for loan funds from the beneficiary.
  - The trustee conveys title to a trustor in exchange for loan funds from the beneficiary.
36. A lender lends money to a homeowner and takes legal title to the property as collateral during the payoff period. They are in a
- Title-theory state.
  - Lien-theory state.
  - State allowing land trusts.
  - State where hypothecation is illegal.
37. A lender who charges a rate of interest in excess of legal limits is guilty of
- Redlining.
  - Usury.
  - Profit-taking.
  - Nothing; there are no legal limits to interest rates.
38. A lender is charging 3 points on a \$50,000 loan. The borrower must therefore pay the lender an advance amount of
- \$150.
  - \$300.
  - \$1,500.
  - \$3,000.

39. The difference between a balloon loan and an amortized loan is
- A. An amortized loan is paid off over the loan period.
  - B. A balloon loan always has a shorter loan term.
  - C. An amortized loan requires interest-payments.
  - D. A balloon loan must be retired in five years.
40. A distinctive feature of a promissory note is that
- A. It is not assignable.
  - B. It must be accompanied by a mortgage.
  - C. It is a negotiable instrument.
  - D. It may not be prepaid.
41. When the terms of the mortgage loan are satisfied, the mortgagee
- A. May retain any overage in the escrow account.
  - B. May inspect the property before returning legal title.
  - C. May be entitled to charge the borrower a small fee to close the loan.
  - D. May be required to execute a release of mortgage document.
42. In addition to income, credit, and employment data, a mortgage lender requires additional documentation, usually including
- A. An appraisal report.
  - B. A criminal record report.
  - C. A subordination agreement.
  - D. A default recourse waiver.
43. The three overriding considerations of a lender's mortgage loan decision are
- A. Points, interest rate, and loan term.
  - B. The location of the mortgaged property, the borrower's cash, and the amount of the borrower's equity.
  - C. The ability to re-pay, the value of the collateral, and the profitability of the loan.
  - D. The amount of the loan, the borrower's income, and the down payment.
44. The loan-to-value ratio is an important underwriting criterion, for the primary reason that
- A. Borrowers with no equity will default and abandon the property.
  - B. The lender wants to ensure the loan is fully collateralized.
  - C. A borrower can only afford to borrow a portion of the entire purchase price.
  - D. A fair amount of borrower equity demonstrates good faith.
45. The Equal Credit Opportunity Act (ECOA) requires lenders to
- A. Extend equal credit to all prospective borrowers.
  - B. Consider the income of a spouse in evaluating a family's creditworthiness.
  - C. Discount the income of a person involved in child-rearing or child-bearing.
  - D. Specialize lending activity by geographical area for improved customer service.
46. The purpose of an income ratio in qualifying a borrower is to
- A. Safeguard against over-indebtedness.
  - B. Compare one's earnings to one's short-term debt.
  - C. Identify the highest possible interest rate that the borrower can afford.
  - D. Quantify the borrower's assets to the fullest extent.
47. A borrower's debt ratio is derived by
- A. Dividing one's total debt by one's debt payments.
  - B. Dividing one's gross income by one's assets.
  - C. Dividing one's gross income by one's debts.
  - D. Dividing one's debts by one's gross income.
48. A lender's commitment to lend funds to a borrower in order to retire another outstanding loan is called a
- A. Conditional loan commitment.
  - B. Firm loan commitment.
  - C. Take-out loan commitment.
  - D. Lock-in loan commitment.

49. At the closing of a mortgage loan
- The borrower pays off the note and receives clear title.
  - The lender issues a firm loan commitment.
  - The parties complete all loan origination documents and the loan is funded.
  - The borrower's loan application is complete and the file closed.
50. Which laws or regulations require mortgage lenders to disclose financing costs and annual percentage rate to a borrower before funding a loan?
- The Equal Credit Opportunity Act.
  - Truth-in-Lending laws.
  - The Real Estate Settlement and Procedures Act.
  - Federal Fair Housing Laws.
51. Which laws or regulations prevent mortgage lenders from discriminating in extending credit to potential borrowers based on race, color, religion, national origin, sex, marital status, age and dependency on public assistance?
- The Equal Credit Opportunity Act.
  - Truth-in-Lending laws.
  - The Real Estate Settlement and Procedures Act.
  - Federal Fair Housing Laws.
52. Which laws or regulations require mortgage lenders to provide an estimate of closing costs to a borrower and forbid them to pay kickbacks for referrals?
- The Equal Credit Opportunity Act.
  - Truth-in-Lending laws.
  - The Real Estate Settlement and Procedures Act.
  - Federal Fair Housing Laws.
53. The Federal Reserve System regulates the money supply in which of the following ways?
- Selling securities, printing money, and controlling lending underwriting requirements.
  - Buying securities, changing the discount rate, and controlling banking reserves.
  - Printing money, changing interest rates, and selling T-bills.
  - Controlling the prime rate, trading securities, and purchasing loans.
54. One of the primary purposes for the secondary mortgage market is to
- Cycle funds back to primary lenders so they can make more loans.
  - Issue second mortgages and sell them in the home equity market.
  - Lend funds to banks so they can make more loans.
  - Pay off defaulted loans made by primary mortgage lenders.
55. The major players in the secondary mortgage market are
- Fannie Mae, Freddie Mac, and Ginnie Mae.
  - Fannie Mae, GMAC, and MGIC.
  - Freddie Mac, FHA, and VA.
  - Fannie Mae, Freddie Mac, and the Federal Reserve.
56. A principal role of FNMA is to
- Guarantee FHA backed and VA backed loans.
  - Insure FHA backed and VA backed loans.
  - Purchase FHA backed and VA backed loans.
  - Originate FHA backed and VA backed loans.
57. The primary role of the Federal Housing Authority in the mortgage lending market is to
- Guarantee loans made by approved lenders.
  - Insure loans made by approved lenders.
  - Purchase loans made by approved lenders.
  - Originate loans made by approved lenders.

58. The principal role of the Veteran's Administration in the mortgage lending market is to
- A. Guarantee loans made by approved lenders.
  - B. Insure loans made by approved lenders.
  - C. Purchase loans made by approved lenders.
  - D. Originate loans made by approved lenders.
59. A graduated payment loan is a mortgage loan where
- A. Loan funds are disbursed to the borrower on a graduated basis.
  - B. The interest rate periodically increases in graduated phases.
  - C. The loan payments gradually increase.
  - D. The loan payments gradually increase and the loan term gradually decreases.
60. A buydown is a financing arrangement where
- A. The lender lowers the interest rate on a loan in exchange for a prepayment of principal.
  - B. The borrower pays additional interest at the onset in order to obtain a lower interest rate.
  - C. The lender requires the borrower to buy down the price of the property by increasing the down payment.
  - D. The borrower pays the lender additional funds to buy down the term of the loan.
61. The key feature of an adjustable mortgage loan is that
- A. The interest rate may vary.
  - B. The monthly payment increases over the life of the loan.
  - C. The principal balance does not amortize.
  - D. The loan term can be shortened or lengthened.
62. One feature of a wraparound mortgage loan is that
- A. The loan is a senior loan.
  - B. The wraparound lender can profit from a difference in interest rates.
  - C. The underlying loan must be retired.
  - D. The second mortgage borrower may make payments directly to the first mortgage lender.
63. A builder is required to secure a loan with mortgages on three properties. This is an example of
- A. A participation mortgage loan.
  - B. A blanket mortgage loan.
  - C. A permanent mortgage loan.
  - D. A bridge loan.
64. Which of the following is true of a loan with negative amortization?
- A. The loan is an interest-only loan.
  - B. Payments are not sufficient to retire the loan.
  - C. The loan balance is diminishing, or going negative.
  - D. Additional interest is being added to the monthly payment.
65. All investors desire their investments to increase in value. However,
- A. The degree of return is inversely related to the degree of risk.
  - B. The more the investor stands to gain, the greater the risk that the investor may lose.
  - C. Investments requiring intense management have lesser returns.
  - D. The more liquid an investment is, the greater the chances are that the investment will not appreciate.
66. Two of the rewards that investments offer are
- A. Income and tax benefits.
  - B. Negative leverage and appreciation.
  - C. Appreciation and taxation.
  - D. Positive leverage and prestige.
67. An investor invests in fifteen diversified bond funds. This is an example of an investment in
- A. Money.
  - B. Equity.
  - C. Debt.
  - D. Real estate.



68. A real estate investment can take a long period of time to sell. For the investor, this means that real estate is
- Management intensive.
  - Insensitive to marketing.
  - Vulnerable to seller's markets.
  - Relatively illiquid.
69. Compared to a stock portfolio, a real estate investment would be considered
- A riskier investment.
  - A more management-intensive investment.
  - A shorter-term investment.
  - A more leveraged investment.
70. Six investors purchase a shopping center. One investor manages the tenants and another handles the marketing and leasing. Two investors manage accounting and finance, and the remaining two run the management office. This is a possible example of
- A general partnership.
  - A limited partnership.
  - A real estate investment trust.
  - An investment conduit.
71. Taxable income produced by an income property is
- Gross income minus expenses plus land and building depreciation.
  - Gross income minus expenses minus land and building depreciation.
  - Gross income minus building depreciation plus land depreciation.
  - Gross income minus expenses minus building depreciation.
72. As a general rule, in deriving taxable income on an investment property, it is legal to
- Deduct principal and interest payments from income.
  - Deduct principal payments from income.
  - Deduct interest payments from income.
  - Deduct principal and interest payments from income and capital gain.
73. Which of the following is true of the tax treatment of a principal residence?
- The owner may deduct the property's interest and principal from ordinary income.
  - The owner may depreciate the property and deduct depreciation expenses.
  - The owner can deduct any capital gain when the property is sold.
  - The owner may be able to defer capital gain tax when the property is sold.
74. An investment property seller pays \$14,000 in closing costs. These costs
- May be deducted from personal income.
  - May be deducted from the property's income.
  - May be deducted from the sale price for gains tax purposes.
  - May be deducted from the adjusted basis for gains tax purposes.
75. Capital gain tax is figured by multiplying one's tax bracket times.
- The sum of the beginning basis plus gain.
  - The difference between net sale proceeds and adjusted basis.
  - The sum of net sale proceeds and capital gain.
  - The difference between net sale proceeds and capital gain.
76. Cash flow is a measure of how much pre-tax or after-tax cash an investment property generates. To derive cash flow it is therefore necessary to exclude
- Cost recovery expenses.
  - Interest expenses.
  - Loan principal payments.
  - Net operating income.
77. One way investors measure the yield of an investment is by
- Dividing net operating income by cash flow.
  - Multiplying the investor's required yield times after-tax cash flow.
  - Dividing cash flow by the investor's equity.
  - Multiplying cash flow times the price paid for the property.

78. People in the real estate business who primarily focus on creating new properties are
- A. Brokers
  - B. Developers
  - C. Zoning administrators
  - D. Excavators
79. Which of the following professionals involved in the real estate business are most concerned about procuring buyers and sellers for clients?
- A. Brokers and agents
  - B. Property managers
  - C. Corporate real estate managers
  - D. Appraisers
80. What is an advisory service provider?
- A. A broker of fee simple titles
  - B. A corporate real estate broker
  - C. A broker performing non-transactional services for a commission
  - D. A broker who renders real estate services for a fee
81. The level of government which is most active in regulating real estate licensees is the
- A. Federal government
  - B. State government
  - C. County government
  - D. Municipal government where the person resides
82. What guarantees the right of private ownership of real estate in the United States?
- A. Common law
  - B. Local statutes
  - C. The Napoleonic Code
  - D. The constitution
83. Which of the following is included in the legal concept of land?
- A. The surface of the earth and all natural things permanently attached to the earth
  - B. Only the surface of the earth that is delineated by boundaries
  - C. The surface of the earth except for lakes and streams
  - D. Everything above, on and below the surface of the earth
84. Surface rights, air rights and subsurface rights are
- A. Inviolable
  - B. Unrelated
  - C. Separable
  - D. Not transferrable
85. What part of a non-navigable waterway does the owner of an abutting property own?
- A. To the low-water mark
  - B. To the middle of the waterway
  - C. To the high-water mark
  - D. None
86. What is the primary thrust of federal involvement in real estate law?
- A. Taxation
  - B. Licensing
  - C. Broad regulation of usage
  - D. Zoning
87. Which level of government controls zoning laws?
- A. State
  - B. Taxing authorities
  - C. Federal
  - D. County and local

88. Which of the following is true of a homestead?

- A. A homestead interest cannot be conveyed by one spouse
- B. A homestead interest cannot be passed to the children of the head of household
- C. A homestead interest is a form of conventional life estate
- D. A homestead is a primary or secondary residence occupied by a family

89. Three people have identical rights in a property, share an indivisible interest, but may sell or transfer their interest without consent of the others. This type of ownership is

- A. Joint tenancy
- B. Equal ownership
- C. Tenancy in common
- D. Estate in severalty

90. A unique feature of a land trust is that

- A. The trustee controls both the trustor and the beneficiary
- B. The trustee takes ownership of both land and improvements
- C. The identity of the beneficiary may not be identified
- D. The properties in the trust are probated in the states where the properties are located

91. A person claims ownership of a parcel of real estate to a prospective buyer, stating that she has lived on the property for five years and nobody has ever bothered her. The claimant also shows the buyer a copy of the deed. The legal basis of this claim is referred to as

- A. Prescriptive notice
- B. Constructive notice
- C. Hostile notice
- D. Actual notice

92. Constructive notice of ownership of a parcel of real estate is primarily demonstrated through

- A. Direct inspection to see who is in possession
- B. Title insurance
- C. Title records
- D. A construction permit

93. What is “chain of title?”

- A. The list of all parties who have ever owned real estate
- B. The bundle of rights linked to the recorded title to a parcel
- C. A chronology of successive owners of record of a parcel of real estate
- D. Involuntary conveyance of title by statutory rules of descent

94. To be marketable, title must be

- A. Registered in Torrens
- B. Free of undisclosed defects and encumbrances
- C. Abstracted by an attorney
- D. Guaranteed by a title certificate

95. Property management and real estate asset management are both real estate management professions. The primary distinction between the two is that

- A. Property managers always report to an asset manager.
- B. Asset managers have greater knowledge of a property’s finances.
- C. Property managers handle day-to-day operations while asset managers manage portfolios of properties.
- D. Asset managers are primarily responsible for maintenance technicians.

96. The term “commercial property” generally refers to

- A. Non-owner-occupied properties.
- B. Retail, office and industrial properties.
- C. Multi-tenant properties.
- D. Retail properties.

97. Which of the following ways of specializing is common in the real estate brokerage business?

- A. By type of house
- B. By geography
- C. By financial background of client
- D. By type of mortgage.

98. Which of the following is the best definition of real estate?

- A. Land and personal property
- B. Unimproved land
- C. Land and everything permanently attached to it
- D. An ownership interest in land and improvements

99. What are the three unique physical characteristics of land?

- A. Fixed, unchangeable, homogeneous
- B. Immobile, indestructible, heterogeneous
- C. Three-dimensional, buildable, marketable
- D. Natural, measurable, inorganic.

100. The primary distinction between the legal concepts of land and real estate is that

- A. Real estate includes air above the surface and minerals below the surface
- B. Real estate is indestructible
- C. Land has no defined boundaries
- D. Land does not include man-made structures.

101. Which of the following is included in the bundle of rights inherent in ownership?

- A. To inherit
- B. To tax
- C. To transfer
- D. To vote.

102. Which of the following is an example of intangible property?

- A. Real estate
- B. Personal property
- C. Artwork
- D. Stock.

103. The right to use real property is limited by

- A. The right of others to use and enjoy their property
- B. The police
- C. Taxation and subordination
- D. Title 12 of the U.S. Civil Code.

104. Surface rights, air rights and subsurface rights are:

- A. Inviolable
- B. Unrelated
- C. Separable
- D. Not transferrable.

105. Which of the following terms refers to the rights of a property that abuts a stream or river?

- A. Allodial
- B. Alluvial
- C. Littoral
- D. Riparian

106. Which of the following is considered real property?

- A. A tree growing on a parcel of land
- B. A tree that has been cut down and is lying on a parcel of land.
- C. A tractor used to mow grass on a parcel of land
- D. A prefabricated shed not yet assembled on a parcel of land.

107. What is an emblement?

- A. A piece of equipment affixed to the earth
- B. A limited right to use personal property
- C. A sign indicating a property boundary
- D. A plant or crop that is considered personal property.

108. An item can be converted from real to personal property and vice versa by means of which processes?

- A. Assemblage and plottage
- B. Application and dissolution
- C. Affixing and severance
- D. Personalty and severalty.

109. The major sources of real estate law are legislation at federal, state and local level, and

- A. Court decisions
- B. Professional real estate associations
- C. Broad regulation of usage
- D. Zoning.

110. What is the primary thrust of federal involvement in real estate law?

- A. Taxation
- B. Licensing
- C. Broad regulation of usage
- D. Zoning.

111. A grocer temporarily installs special fruit and vegetable coolers in a leased grocery store in order to prevent spoilage. The coolers would be considered which of the following?

- A. Trade fixtures that are real property
- B. Trade fixtures that are personal property
- C. Permanent fixtures that are real property
- D. Permanent fixtures that are personal property.

112. Under the doctrine of littoral rights, an owner claims ownership of all of the land underlying a lake where there are three other abutting property owners. Which of the following is true?

- A. The owner's claim is invalid, because the state owns the underlying land
- B. The owner's claim is invalid, because the underlying land is shared equally with the other owners
- C. The owner's claim is invalid, because he may only own underlying land to the middle of the lake
- D. The owner's claim is valid, because the lake is navigable.

113. An interest in real estate is best defined as ownership of

- A. The full bundle of rights to real property
- B. An estate
- C. One of more of the bundle of rights to real property
- D. The right of possession and use of real property.

114. What distinguishes a freehold estate from a leasehold estate?

- A. A freehold includes the right to dispose or use
- B. A leasehold endures only for a specific period of time
- C. A freehold cannot be defeasible
- D. A leasehold is subject to government restrictions.

115. The highest form of ownership interest one can acquire in real estate is the

- A. Dower and curtesy
- B. Conventional life estate
- C. Defeasible fee simple estate
- D. Absolute fee simple estate.

116. How is the conventional life estate created?

- A. It happens automatically when title transfers unless a fee simple is specifically claimed
- B. A fee simple owner grants the life estate to a life tenant
- C. It is created by judicial action
- D. It is created by a statutory period of adverse possession.

117. Which of the following is an illustration of the legal concept of elective share?

- A. A surviving spouse places a lien on a debtor's property
- B. A widow who was excluded from a will makes a claim to a portion of the couple's principal residence
- C. A spouse who loses her home because of her husband's gambling debt sues in court for exemption from the debt
- D. A widower whose spouse died without a will sues to change the provisions of the will.

118. Who are the essential parties involved in an estate in trust?

- A. Owner, trustor and lawyer
- B. Owner, trustor and trustee
- C. Trustee, title company, and beneficiary
- D. Trustor, trustee and beneficiary.

**119. The distinguishing features of a condominium estate are**

- A. Ownership of a share in an association that owns one's apartment**
- B. Tenancy in common interest in airspace in a unit and an undivided share of the entire property's common areas**
- C. Fee simple ownership of the airspace in a unit and an undivided share of the entire property's common areas**
- D. Fee simple ownership of a pro rata share of the entire property.**

**120. Who owns the property in a time-share estate?**

- A. Ownership is shared by the developer and the broker**
- B. The property is owned by tenants in common or by a freehold owner who leases on a time-share basis**
- C. A real estate investment trust holds a fee simple estate**
- D. A general partner holds a fee simple interest and interval estates are owned by limited partners.**

**121. Which of the following is true of a cooperative?**

- A. A cooperative may hold an owner liable for the unpaid operating expenses of other owners**
- B. The owners have a fee simple interest in the airspace of their respective apartments**
- C. Owners may retain their apartments even if they sell their stock in the cooperative**
- D. The proprietary lease is guaranteed to have a fixed rate of rent over the life of the lease term.**

**122. Which of the following best describes the concept of "legal title" to real estate?**

- A. Ownership of the bundle of rights to real estate**
- B. The right of a buyer or lender to obtain ownership under certain circumstances**
- C. Possession of a deed**
- D. Absolute proof of ownership of real estate.**

**123. A central goal of public land use planning is to**

- A. Balance individual property rights with the community's welfare**
- B. Develop an accord between property owners and tenants**
- C. Impede development by for-profit developers and construction contractors**
- D. Subordinate private interests to the public good.**

**124. What is the fundamental purpose of a building permit?**

- A. To restrict the number of new development projects**
- B. To establish the basis for an inspection**
- C. To promote certificates of occupancy**
- D. To ensure that improvements comply with codes.**

**125. Ad valorem taxes are based on**

- A. The replacement value of property**
- B. The assessed value of property**
- C. The millage value of property**
- D. The broker's estimate of value.**

**126. A tenant occupies a rental unit in an apartment building and installs new wooden kitchen cabinets. At the end of the lease the tenant wishes to remove the cabinets. Which of the following is true regarding removal of the cabinets?**

- A. The cabinets can be removed by the tenant.**
- B. The cabinets can be removed, but the tenant owes compensation to the property owner.**
- C. The cabinets must stay, but the tenant is entitled to compensation.**
- D. The cabinets must stay.**

**127. What type of liens are real estate ad valorem and special assessments taxes?**

- A. Specific and involuntary**
- B. General and voluntary**
- C. Specific and voluntary**
- D. General and involuntary**

128. In the rectangular survey method the line running east and west that is used to describe land as north or south of it is called a

- A. Base line
- B. Range line
- C. Boundary line
- D. Principal meridian.

129. If the government wishes to exercise its right of eminent domain through the process of condemnation, it must meet all the following requirements except

- A. Pay fair compensation
- B. Obtain the consent of the owner
- C. Prove a public good
- D. Follow the proper legal procedure.

130. In describing real estate, the method that uses feet, degrees and natural and artificial markers as monuments is

- A. Rectangular survey
- B. Metes and bounds
- C. Government survey
- D. Lot and block.

131. In which of the following situations would ownership in severalty occur?

- A. A husband and wife sharing ownership in the same property
- B. Two or more people with the same ownership interest in the property
- C. Property owned by one person
- D. Two or more people holding the same form of ownership in a property.

132. An apartment house has ten units that rent for \$595 each per month and ten units that rent for \$860 each per month. If the owner remodels that property at a cost of \$15,000 and wishes to recover the cost within 6 months, how much will each unit's monthly rent need to be increased?

- A. \$60
- B. \$125
- C. \$250
- D. \$750

133. All of the following are true regarding water rights of property owners except

- A. Littoral rights refer to property bordering large bodies of water.
- B. Under prior appropriation, owners must get permission to divert water.
- C. If water is nonnavigable, ownership extends to the water's edge
- D. Property bordering water may lose land through erosion.

134. An advantage of using an S corporation rather than a regular corporation is

- A. Less liability for the shareholders
- B. Officers have more control over the corporation
- C. Avoidance of double income taxation
- D. Property is exempt from real estate taxes.

135. Which of the following properties is exempt from RESPA requirements for a first mortgage?

- A. A single family house
- B. A condominium
- C. A shopping mall
- D. A three flat that is occupied by the owner.

136. A house is purchased using a fixed-rate, fully amortized mortgage loan. Which of the following statements is true regarding this mortgage?

- A. Each payment amount is the same
- B. A balloon payment will be made at the end of the loan
- C. The principal amount in each payment is greater than the interest amount
- D. Each payment reduces the principal by the same amount.

137. An action brought by a co-owner of property to compel the severance of respective interests is an action for:

- A. Foreclosure
- B. Quiet title
- C. Forfeiture
- D. Partition.

138. Assume a real estate broker incorporates her real estate firm. Which is true?

- A. The firm is a separate legal entity, distinct from the broker
- B. The broker is liable for the debts of the corporation
- C. The broker can advertise solely in her individual name
- D. The shareholders must have real estate licenses.

139. An owner of a life estate can do all of the following EXCEPT:

- A. Sell
- B. Mortgage
- C. Devise
- D. Lease.

140. The interest in real property with the LEAST bundle of rights is:

- A. Tenancy at will
- B. Fee simple absolute
- C. Fee simple subject to condition subsequent
- D. Tenancy at sufferance.

141. Each of the following is an appurtenance EXCEPT a(n):

- A. Barn
- B. Orchard
- C. Fence
- D. Trade fixture.

142. The MOST important factor in determining whether something is a fixture is:

- A. The method of its attachment
- B. Its size
- C. Its weight
- D. The intention of the party who attached it.

143. All of the following are required for a valid bill of sale EXCEPT:

- A. Signature of the seller
- B. Description of the items
- C. Date of transaction
- D. Name of buyer.

144. Which of the following BEST describes personal property?

- A. Chattel
- B. Appurtenance
- C. Fixture
- D. Improvement.

145. An appropriation of land for some public use made by the owner and accepted for such use by or on behalf of the public, such as streets in a platted subdivision, is called:

- A. An easement
- B. Dedication
- C. A public grant
- D. Condemnation.

146. A tenancy in common must have the unity of:

- A. Time
- B. Title
- C. Interest
- D. Possession

147. The BEST term that describes a group of investors who pool their financial resources to acquire real property is:

- A. Rental pool
- B. Syndication
- C. Consolidation
- D. Limited liability company

148. The right of survivorship is a feature of which of the following types of tenancy?

- A. Joint tenancy
- B. Tenancy in common
- C. Tenancy in severalty
- D. Tenancy for years

149. One of the distinguishing characteristics of joint tenancy is that:

- A. Tenants possess separate estates.
- B. Tenants may possess unequal interests in a single estate.
- C. Interests of a deceased tenant pass to the remaining tenants.
- D. Interests of a deceased tenant pass to heirs rather than to the other tenants.



150. If two friends were partners in a business and invested in a parcel of real estate as tenants in common, which of the following would be true about the investment?

- A. They would have equal interests.
- B. They would have unity of time.
- C. They would have to sell at the same time.
- D. They both would have equal rights of possession.

151. Which of the following BEST describes a tenancy in severalty?

- A. Property held by several people with right of survivorship.
- B. Property held by a corporation and a partnership together.
- C. Property held by several people whose interest passes to their respective heirs.
- D. Property held by one person, whose ownership rights are severed from all others.

152. A life estate may be granted:

- A. Only when it is for the duration of the grantee's life
- B. For the duration of the life of someone other than the grantee.
- C. For a definite term.
- D. Only to a grantee over the age of majority.

153. Fee simple is all of the following EXCEPT:

- A. An estate of inheritance.
- B. A freehold estate.
- C. A less-than-freehold estate.
- D. Indefinite as to its duration.

154. All of the following are characteristics of a fee simple estate EXCEPT:

- A. Freely transferable.
- B. Freely inheritable.
- C. Definite duration.
- D. Unlimited duration.

155. Which of the following creates deed restrictions?

- A. Local building inspector
- B. Authorized authorities
- C. Planning commission
- D. Grantor

156. The right of a water company to lay and maintain water mains along the rear of a lot is called a (n):

- A. Appurtenance
- B. Riparian right
- C. Easement in gross
- D. Right of encroachment.

157. A recorded easement may be removed from the records by:

- A. Recording a quitclaim deed signed by the owner of the easement (the dominant tenement).
- B. Instituting a lis pendens action
- C. Filing a marginal release.
- D. Giving a three-day notice followed by an Unlawful Detainer Action

158. The priority of a mechanic's lien depends on the date:

- A. Of recordation.
- B. Of the contract.
- C. Of completion.
- D. On which work commenced.

159. Eminent domain, taxation, police power and escheat are:

- A. Restrictions on the ownership of any property
- B. Benefits belonging to the owner of real property.
- C. Private restrictions on personal property.
- D. Factors that affect only owners of land abutting government-owned property.

160. Capitalization is a process used to:

- A. Determine the value of most residential property.
- B. Convert income into value.
- C. Determine the total remaining capital
- D. Save money on an investment.

161. An appraisal of real estate does which of the following?

- A. Determines value
- B. Estimates value
- C. Guarantees value
- D. Ensures value

**162. All the following agencies are primary sources of money for the secondary mortgage market EXCEPT the:**

- A. Fannie Mae (Federal National Mortgage Association).**
- B. Department of Veterans Affairs (VA).**
- C. Ginnie Mae (Government National Mortgage Association).**
- D. Freddie Mac (Federal Home Loan Mortgage Corporation).**

**163. Under a VA loan, a veteran can do which of the following?**

- A. Transfer the original VA loan to another home**
- B. Sell the home and allow a non-veteran buyer to assume the loan with VA approval.**
- C. Use the VA loan to acquire a commercial building**
- D. Use one loan to purchase two separate properties.**

**164. The purchase and putting together of several pieces of land is BEST called:**

- A. Annexation.**
- B. Appreciation**
- C. Assemblage.**
- D. Integration.**

**165. Which of the following life estates is created by someone other than the owner?**

- A. Conventional life estate**
- B. Ordinary life estate**
- C. Legal life estate**
- D. Community property life estate**

**Supplemental  
Questions  
Answer Sheet**

1. C  
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