

Answer Sheet for Practice Test 1

(Remove This Sheet and Use It to Mark Your Answers.)

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Practice Test 1

Directions: For each of the following questions, select the choice that best answers the question.

1. The property management field has experienced recent growth primarily due to an increase in
- A. the number of investment properties.
 - B. the returns on investment properties.
 - C. the number of absentee owners.
 - D. interest rates.

2. The geographic area that a real estate broker or sales associate specializes in is called the
- A. market segment.
 - B. specialty area.
 - C. listing area.
 - D. farm area.

3. A unique aspect of business brokerage as opposed to real estate brokerage is the broker's ability to
- A. locate buyers.
 - B. write appropriate advertising.
 - C. place a value on goodwill.
 - D. locate sellers.

4. Which of the following is not considered residential property?
- A. one- to four-family house
 - B. vacant land zoned for four families or fewer
 - C. agricultural property of 10 or fewer acres
 - D. apartment houses with fewer than ten units

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5. A person who wants to have a broker's license but does not want to operate her own office would likely become a
- A. sales associate.
 - B. sales agent.
 - C. assistant broker.
 - D. broker associate.

6. Which of the following is not required background information on a real estate license application?
- A. pled nolo contendere to a crime
 - B. convicted of a crime
 - C. pled guilty to a crime
 - D. proof of U.S. citizenship

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7. What is the length of residency necessary to be considered a Florida resident for real estate licensing purposes?
- A. one year
 - B. six months
 - C. four months
 - D. one month

8. Which of the following real estate activities does not require a real estate license?
- A. selling cemetery lots
 - B. auctioning a single-family house
 - C. exchanging a commercial office building
 - D. leasing a store in a mall

9. Whether a real estate license holder from another state can obtain a Florida real estate license will depend on
- A. nondisclosure agreements.
 - B. agency rules in the person's home state.
 - C. mutual recognition agreements.
 - D. residency rules.
10. The Florida Real Estate Commission is administratively part of the
- A. Florida Department of Consumer Protection.
 - B. Florida Department of Education.
 - C. Florida Department of Business and Professional Regulation.
 - D. Florida Association of Realtors.
11. Which of the following is not a function or Purpose of the Florida Real Estate Commission?
- A. to protect the public
 - B. to regulate proprietary real estate schools
 - C. to regulate college real estate courses
 - D. to limit broker and sales associate liability
12. What is the minimum number of brokers who have five years or more experience required to be on the Florida Real Estate Commission?
- A. two
 - B. three
 - C. four
 - D. five

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- 13.** Florida Real Estate Commission members are
- A. elected.
 - B. appointed by the state senate.
 - C. appointed by the State Association of Realtors.
 - D. appointed by the governor.

- 14.** A typical relationship of a real estate broker to a principal in a real estate sales transaction is as a
- A. principal agent.
 - B. universal agent.
 - C. general agent.
 - D. special agent.

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- 15.** The best term used to describe the relationship of trust between a broker and a buyer or a broker and a seller in a single agency relationship is a
- A. representational relationship.
 - B. fiduciary relationship.
 - C. customer relationship.
 - D. principal relationship.

- 16.** The duty of a broker in a single agent relationship to represent the interests of her client even above her own interests is a result of the obligation of
- A. obedience.
 - B. loyalty.
 - C. skill and care.
 - D. confidentiality.

- 17.** Which of the following is not true about a designated sales associate agency arrangement?
- A.** The broker acts as an agent to only one party.
 - B.** It must be a nonresidential transaction.
 - C.** The buyer and seller must have assets of \$1 million or more.
 - D.** Both the buyer and the seller must request this relationship.
- 18.** A broker transitioning from a single agent relationship to a transactional brokerage status
- A.** must file appropriate documentation with the state.
 - B.** can do so with no special permission other than informing the parties.
 - C.** is illegal.
 - D.** can be done only with the principal's consent.
- 19.** If a customer or principal refuses to sign an agency disclosure document, the agent must
- A.** refuse the listing.
 - B.** refuse to represent the buyer.
 - C.** note the refusal in the file with the disclosure document.
 - D.** file a separate affidavit of disclosure with the state.
- 20.** A real estate broker placed the following advertisement in a newspaper: "Three-bedroom house for sale. Call 555-5555." This is an example of a(n)
- A.** false advertisement.
 - B.** acceptable advertisement.
 - C.** blind advertisement.
 - D.** fraudulent advertisement.

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- 21.** If a broker places the names of her sales associates on her office sign, what else must she put on the sign for each associate?
- A. phone number
 - B. license status
 - C. years with the firm
 - D. years licensed
- 22.** A Florida real estate broker who calls an owner whose property is listed for sale as a for sale by owner (FSBO) and whose phone number appears on the yard sign
- A. is exempt from federal do-not-call laws.
 - B. can do so for up to 18 months after the sign first appears.
 - C. can do so for up to a year if the FSBO previously asked the broker for information.
 - D. is in violation of federal do-not-call laws.
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- 23.** A sales associate who advertises real estate services in her own name
- A. is violating no law.
 - B. can do so only with her supervising broker's permission.
 - C. can do so on giveaways like calendars but not on sales brochures.
 - D. cannot do so without including the broker's name.
- 24.** An alleged violation of the real estate license law is a good definition of a
- A. fraud.
 - B. complaint.
 - C. final order.
 - D. probable cause.

- 25.** The maximum number of years for which a real estate license may be suspended by Florida state authorities is
- A. ten.
 - B. five.
 - C. three.
 - D. one.
- 26.** The Florida Real Estate Recovery Fund was created to reimburse
- A. monetary damages only.
 - B. punitive damages only.
 - C. monetary and punitive damages.
 - D. none of the above
- 27.** If a complainant withdraws his complaint against a real estate license after having filed it, which of the following is true?
- A. The investigation automatically stops.
 - B. The investigation of the complaint will continue.
 - C. The investigation will continue if the violation occurred within the last six months.
 - D. The investigation may continue.
- 28.** The 1866 Civil Rights Act is unique because
- A. it deals only with race and gender discrimination.
 - B. it has no exceptions.
 - C. complaints are made to HUD.
 - D. all of the above

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- 29.** Which of the following is not covered by the Federal Fair Housing Act?
- A. owner-occupied single-family house
 - B. single-family house owned by the government
 - C. six-unit multifamily building
 - D. four single-family houses owned by the same person

- 30.** The owner of a six-unit apartment house has ten years of research indicating levels of wear and tear on the apartments by different groups of people such as different ethnic groups, age groups, and people with children. Based on his research, he charges different security deposits to these different groups. This practice is
- A. acceptable as long as he has the research to back it up.
 - B. acceptable for the families with children but not for the ethnic or age groups.
 - C. acceptable under federal law regardless of the research.
 - D. illegal.

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- 31.** Which of the following primarily concerns itself with advertising with respect to credit terms?
- A. Truth in Lending Act
 - B. Real Estate Settlement and Procedures Act
 - C. Florida Fair Lending Act
 - D. Equal Credit Opportunity Act

- 32.** The Florida Uniform Lands Sales Practices Act requires registration of subdivisions of
- A. 10 or more lots.
 - B. 25 or more lots.
 - C. 40 or more lots.
 - D. 50 or more lots.

- 33.** Real property can also be described as
- A. personal property.
 - B. the bundle of rights.
 - C. chattels.
 - D. land.
- 34.** The rights of a landowner to a river bordering her property are known as
- A. littoral rights.
 - B. correlative use rights.
 - C. riparian rights.
 - D. rights of appropriation.
- 35.** In the case of a transfer of ownership of a piece of real estate, a fixture is normally
- A. assumed to be included in the transfer.
 - B. assumed to remain with the original owner.
 - C. transferred only if there is an agreement.
 - D. subject to a separate bill of sale.
- 36.** A tenant who operates a jewelry store wants to take his jewelry cases with him at the expiration of the lease. Which of the following is most correct?
- A. He may take the jewelry cases.
 - B. He may not take the jewelry cases.
 - C. He may take the cases only if he has a prior agreement with the landlord.
 - D. He may take the cases if removal will not cause substantial damage.

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37. All liens are encumbrances. All encumbrances are

- A. liens.
- B. limitations.
- C. voluntary.
- D. involuntary.

38. A construction lien creates

- A. a cloud on title.
- B. a marketable title.
- C. a transferable title.
- D. no problem in transferring title.

39. A deed restriction prohibiting the sale of property to certain ethnic groups

- A. is enforceable only if the restriction predates civil rights laws.
- B. is enforceable in subdivisions of fewer than five lots.
- C. supersedes civil rights laws.
- D. is illegal and unenforceable.

40. The process by which eminent domain occurs is called

- A. alienation.
- B. inverse condemnation.
- C. police power.
- D. condemnation.

- 41.** Owner A sells a piece of his property to Buyer B. In order for Owner A to get access to the county road from the portion of land he still owns, he needs an easement across Buyer B's property. In order to accomplish this, which of the following has to occur?
- A. Owner A must grant an easement appurtenant to Buyer B.
 - B. Owner A must grant an easement in gross to Buyer B.
 - C. Owner A must reserve an easement in gross for himself.
 - D. Owner A must reserve an easement appurtenant for himself.
- 42.** A legal description of property is not adequate unless
- A. a street address is included.
 - B. at least two different methods are used.
 - C. it includes a detailed description of the structures.
 - D. none of the above
- 43.** The lot and block system of property description is not also known as the
- A. lot, block, and tract system.
 - B. subdivision system.
 - C. rectangular survey system.
 - D. plat map system.
- 44.** How many acres does a section of land contain?
- A. 40
 - B. 160
 - C. 320
 - D. 640

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45. A surveyor whom you hire mentions terms like *baselines* and *meridians* when surveying your property. What system of legal description is he most likely using?

- A. government survey
- B. metes and bounds
- C. Spanish land grant
- D. lot and block

46. The statute of limitations for contracts in Florida is

- A. five years for oral and written contracts.
- B. four years for oral and written contracts.
- C. four years for oral contracts and five years for written contracts.
- D. four years for written contracts and five years for oral contracts.

47. One party agrees to sell another party a piece of property in exchange for a certain amount of money. The agreement is in writing. What type of contract do the parties have?

- A. express bilateral
- B. express unilateral
- C. implied bilateral
- D. implied unilateral

48. Owner A hires someone to burn down his building for the insurance money. They agree on all the terms including payment. The contract would be

- A. valid.
- B. void.
- C. voidable.
- D. unenforceable.

- 49.** An option to purchase property is considered an
- A. express bilateral agreement.
 - B. express unilateral agreement.
 - C. implied bilateral agreement.
 - D. implied unilateral agreement.
- 50.** In an option agreement, the consideration is
- A. the amount to be paid for the property.
 - B. 10% of the amount to be paid for the property.
 - C. the amount paid for the right to purchase the property.
 - D. usually refundable if the option is not exercised.
- 51.** Florida operates under the idea that a borrower in a mortgage loan situation retains title to the property. This is known as the
- A. mortgage theory.
 - B. lien theory.
 - C. title theory.
 - D. promissory note theory.
- 52.** The terms and conditions of the promise to pay back money borrowed to buy a house is found in the
- A. mortgage.
 - B. trust deed.
 - C. promissory note.
 - D. deed of trust.

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- 53.** The process by which a mortgage loan is paid off in equal payments consisting of principal and interest is called
- A. discounting.
 - B. amortization.
 - C. a term loan.
 - D. an equity loan.

- 54.** What does a discount point do to the effective yield that a lender gets from a mortgage loan?
- A. It raises it.
 - B. It has no effect.
 - C. It lowers it.
 - D. It lowers it, but only if the seller—not the buyer—pays it.

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- 55.** Equity is most accurately defined as the
- A. sale price of the house minus the mortgage amount.
 - B. value of the house minus all liens and encumbrances.
 - C. value of the house minus the mortgage.
 - D. amount of the down payment.

- 56.** A mortgage lender requires a borrower to make monthly payments—in addition to the mortgage payments—to a special account to cover taxes and hazard insurance costs for the property. This type of account is commonly called a(n)
- A. savings account.
 - B. tax account.
 - C. impound account.
 - D. takeout account.

- 57.** A type of purchase financing that allows the seller to take immediate possession of the property but delays transfer of title is
- A.** a land contract.
 - B.** a contract for deed.
 - C.** an installment sales contract.
 - D.** all of the above
- 58.** The interest rate charged by the Federal Reserve System to borrow money is called the
- A.** open market rate.
 - B.** prime rate.
 - C.** discount rate.
 - D.** reserve rate.
- 59.** Buyer A borrows money to buy a house. As part of the repayment plan, when he sells the house he will have to turn over a portion of the profit he makes on the house to the lender. This type of mortgage is called a
- A.** shared appreciation mortgage.
 - B.** graduated payment mortgage.
 - C.** reverse annuity mortgage.
 - D.** growing equity mortgage.
- 60.** How does the total purchase price appear in a closing statement?
- A.** credit to seller; debit to buyer
 - B.** credit to seller; credit to buyer
 - C.** debit to buyer; debit to seller
 - D.** debit to seller; credit to buyer

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- 61.** According to the buyer's closing statement, the buyer must pay
- A. all debits.
 - B. all credits.
 - C. all debits plus all credits.
 - D. the difference between all credits and all debits.

- 62.** Which of the following is true about items to be paid at closing, including prorated items?
- A. The amounts are fixed by Florida state law.
 - B. Who pays each item is fixed by Florida state law.
 - C. Who pays each item is fixed by federal law.
 - D. All charges are negotiable.

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- 63.** Which of the following is not a typical way to calculate prorations?
- A. statutory month method
 - B. statutory year method
 - C. 365-day-year method
 - D. 365-day-year/30-day-month method

- 64.** According to Florida state law, a licensed broker
- A. may not do an appraisal.
 - B. may only do a CMA.
 - C. may do both a CMA and an appraisal.
 - D. who is doing an appraisal is exempt from the USPAP.

- 65.** The most profitable single use that will generate the highest value for a piece of property is called its
- A. economical use.
 - B. feasible use.
 - C. highest and best use.
 - D. anticipated use.
- 66.** Which of the following is not a characteristic of value?
- A. change
 - B. utility
 - C. transferability
 - D. demand
- 67.** Two lots, each valued at \$50,000, when combined have a value of \$125,000. What term best describes this added value?
- A. supply and demand
 - B. substitution
 - C. utility
 - D. plottage
- 68.** In appraising a property, the process by which dissimilarities are accounted for in comparing a subject property and a comparable property is called
- A. reconciling the values.
 - B. making adjustments.
 - C. equalization.
 - D. estimating value.

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- 69.** The primary purpose of a building code is to
- A.** insure that homes are built to current architectural standards.
 - B.** guarantee a comfortable environment to the occupants.
 - C.** insure that property values are maintained.
 - D.** insure that structures are safe and sanitary.

- 70.** A framing type often associated with stucco-covered houses in order to minimize cracking is
- A.** platform framing.
 - B.** balloon framing.
 - C.** timber framing.
 - D.** precut framing.

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- 71.** Which is likely to be the most private of the following lot types?
- A.** key lot
 - B.** T intersection lot
 - C.** interior lot
 - D.** cul-de-sac lot

- 72.** The effectiveness of insulation is measured by
- A.** width in inches.
 - B.** R factor.
 - C.** BTUs.
 - D.** SEER.

- 73.** All of the following are considered advantages in investing in real estate except
- A. use of leverage.
 - B. liquidity.
 - C. tax advantages.
 - D. high rates of return.
- 74.** The importance of location and the fact that real estate is immobile cause all real estate markets to be
- A. low risk.
 - B. highly leveraged.
 - C. local in nature.
 - D. equally risky.
- 75.** The difference between the value of a property and all debts associated with it is a good definition of
- A. leverage.
 - B. equity.
 - C. return.
 - D. appreciation.
- 76.** The method of appraising a business that converts an anticipated income stream to a present value is called the
- A. reproduction cost minus depreciation approach.
 - B. income capitalization approach.
 - C. comparable sales approach.
 - D. liquidation analysis.

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- 77.** The total value of an established business that may differ from the value of the business's physical assets is known as the
- A.** going concern value.
 - B.** good will value.
 - C.** value in use.
 - D.** investment value.

- 78.** The term *ad valorem* is most closely associated with
- A.** appraised value.
 - B.** market value.
 - C.** assessed value.
 - D.** investment value.

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- 79.** The tax year in Florida for local property taxes is
- A.** June 1 to May 31.
 - B.** July 1 to June 30.
 - C.** January 1 to December 31.
 - D.** April 15 to April 14.

- 80.** The final step in protesting a tax assessment is
- A.** an appeal to the tax assessor.
 - B.** a petition to the value adjustment board.
 - C.** an appeal to the city or town council.
 - D.** litigation in the courts.

- 81.** Which of the following is most nearly correct as the way a municipality determines the tax rate?
- A. Total Budget \div Total Assessed Value
 - B. Total Budget \times Assessed Value
 - C. Total budget \div Total Number of Nonexempt Properties
 - D. Total Budget \div Average Assessed Value
- 82.** Which of the following is not a way to eliminate, decrease, or defer capital gains on a real estate transaction?
- A. like kind exchange
 - B. all cash sale
 - C. installment sale
 - D. none of the above
- 83.** Which of the following would not be considered a household?
- A. a single person living in a rented apartment
 - B. a couple living with one of their parents
 - C. a single mother with two children living in their own home
 - D. a widower living in a rented apartment
- 84.** Which of the following is primarily responsible for determining the value of a property?
- A. buyer
 - B. seller
 - C. appraiser
 - D. real estate agent

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- 85.** The fact that the value of a piece of property is influenced by what goes on around it is a function of the property's
- A. uniqueness.
 - B. indestructibility.
 - C. supply.
 - D. immobility.

- 86.** A statement of the goals and policies regarding growth of a community is a good definition of the
- A. zoning ordinance.
 - B. general plan.
 - C. specific plan.
 - D. subdivision regulations.

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- 87.** The proper way for a landowner who has physical difficulty in developing his property to get relief is to obtain a
- A. rezoning.
 - B. conditional use permit.
 - C. master plan amendment.
 - D. variance.

- 88.** What is the study of population characteristics called?
- A. demography
 - B. anthropology
 - C. sociology
 - D. urban planning

- 89.** Owner A owns 10 acres on which there is a deed restriction prohibiting subdivision of the land into smaller parcels. The local zoning permits homes to be built on parcels of 2 acres or more. Which of the following is true?
- A.** Owner A may subdivide his land.
 - B.** Owner A may not subdivide his land.
 - C.** The land may only be subdivided if Owner A sells the property in order to eliminate the deed restriction.
 - D.** Owner A may subdivide the land but must sell the properties with the same deed restrictions in place.
- 90.** The adoption and enforcement of zoning laws is an exercise of what type of power by the local government?
- A.** the police power
 - B.** the eminent domain law
 - C.** the law of escheat
 - D.** the subdivision laws
- 91.** A person who wants to buy a \$200,000 home by putting down \$40,000 in cash and borrowing \$160,000 is making use of what financial concept?
- A.** leverage
 - B.** equity yield
 - C.** total yield
 - D.** discount rate
- 92.** A home buyer borrows \$280,000 to purchase a home for 30 years at an interest rate of 7%. How much interest will he pay the first year on an interest-only loan?
- A.** \$19,600
 - B.** \$5,599
 - C.** \$1,634
 - D.** Not enough information is provided.

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- 93.** A purchaser wants to buy a house that costs \$330,000. The bank is offering a mortgage loan at a loan-to-value ratio of 80%. How much will the purchaser need for a down payment?
- A. \$330,000
 - B. \$264,000
 - C. \$66,000
 - D. \$33,000

- 94.** Buyer A pays \$300,000 for a house, putting down \$60,000 and borrowing \$240,000. The house appreciates 25% during the years he owns it. When he sells the house, what is his profit?
- A. \$15,000
 - B. \$75,000
 - C. \$135,000
 - D. \$375,000

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- 95.** A seller has paid taxes of \$3,650 in arrears on November 15 for that year (January 1–December 31). The closing is on December 1. Who owes how much to whom?
- A. The seller owes the buyer \$310.
 - B. The buyer owes the seller \$310.
 - C. The seller owes the buyer \$3,340.
 - D. The buyer owes the seller \$3,340.

- 96.** What is the commission on the sale of a house that sold for \$475,000 if the commission rate was 5%?
- A. \$23,750
 - B. \$21,675
 - C. \$18,450
 - D. \$11,250

- 97.** A buyer agrees to buy a property for \$425,000. It is appraised at \$400,000. The bank is offering a mortgage loan at a loan-to-value ratio of 80%. How much of a down payment will be necessary to purchase this property?
- A. \$340,000
 - B. \$70,000
 - C. \$80,000
 - D. \$105,000
- 98.** A seller pays \$13,500 in commission. At a commission rate of 5.5%, how much did the house sell for?
- A. \$213,670
 - B. \$227,450
 - C. \$236,560
 - D. \$245,455
- 99.** How much will the documentary stamp tax be on a property that sold outside Dade County for \$403,500?
- A. \$4,035.00
 - B. \$2,824.50
 - C. \$2,421.00
 - D. \$282.45
- 100.** What would the state intangible tax be on a previously recorded mortgage in the amount of \$130,000 that is assumed by a buyer?
- A. \$0
 - B. \$260
 - C. \$2,600
 - D. Not enough information is provided.

