

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 term that best describes a continuous urban corridor joining at least two cities is
 - A. megalopolis.
 - B. standard metropolitan statistical area.
 - C. metropolitan area.
 - D. standard urban area.

2. The term *real property* can also be described as
 - A. personal property.
 - B. the bundle of rights.
 - C. chattels.
 - D. land.

3. 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.

4. 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.

5. 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.

6. 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

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- 7.** 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.
- 8.** How many acres does a section of land contain?
- A.** 40
 - B.** 160
 - C.** 320
 - D.** 640
- 9.** The type of ownership that provides the most complete bundle of rights is
- A.** fee simple qualified.
 - B.** fee simple absolute.
 - C.** fee simple defeasible.
 - D.** fee simple freehold.
- 10.** Which of the following best describes the interests of the holder of a life estate?
- A.** possession
 - B.** possession and use
 - C.** possession, use, and ownership
 - D.** possession, use, and ownership—but only as long as they live
- 11.** The requirement that multiple owners take title to property at the same time is a characteristic of
- A.** ownership in severalty.
 - B.** joint tenancy.
 - C.** tenancy in common.
 - D.** all forms of concurrent ownership.
- 12.** Which of the following are most similar to each other with respect to inheriting property?
- A.** joint tenancy and community property with right of survivorship
 - B.** joint tenancy and tenancy in common
 - C.** tenancy in common and community property with right of survivorship
 - D.** joint tenancy and community property

- 13.** Which of the following is a generic term for a group of people joining together to invest in real estate?
- A. corporation
 - B. real estate investment trust
 - C. limited partnership
 - D. syndicate
- 14.** When is a landowner entitled to compensation for a change in zoning?
- A. when the landowner is denied all practical economic use of the property
 - B. when the property loses value
 - C. when the property increases in value
 - D. The property owner is never entitled to compensation.
- 15.** 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.
- 16.** 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.
- 17.** At which lot does the Subdivided Lands Law take effect?
- A. the first lot
 - B. the third lot
 - C. the fifth lot
 - D. the tenth lot
- 18.** The primary difference between a common interest subdivision and a standard subdivision is
- A. design.
 - B. ownership of common areas.
 - C. use restrictions.
 - D. parcel size.

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- 19.** The state has enacted legislation providing special consideration or control for development of
- A. rangeland.
 - B. earthquake areas.
 - C. coastal areas.
 - D. all of the above
- 20.** All liens are encumbrances. All encumbrances are
- A. liens.
 - B. limitations.
 - C. voluntary.
 - D. involuntary.
- 21.** A mechanic's lien creates
- A. a cloud on title.
 - B. a marketable title.
 - C. a transferable title.
 - D. no problem in transferring title.
- 22.** The land that benefits from an easement is referred to as the
- A. servient tenement.
 - B. dominant tenement.
 - C. appurtenant tenement.
 - D. gross tenement.
- 23.** 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.
- 24.** A private deed restriction that places a restraint on alienation
- A. is void.
 - B. restricts the sale of property.
 - C. is unenforceable.
 - D. all of the above

- 25.** The process by which eminent domain occurs is called
- A. alienation.
 - B. inverse condemnation.
 - C. police power.
 - D. condemnation.
- 26.** Which of the following types of easement does not run with the land?
- A. the electric company's easement to cross over your land with their power lines
 - B. a driveway easement allowing your neighbor to cross your property to get to the highway
 - C. an underground waterline easement across your property for your neighbor to obtain water from the street main
 - D. an agreement to allow your neighbor to use your property to park cars on the day of his daughter's wedding
- 27.** An easement is an encumbrance
- A. only if it has no time limit.
 - B. only if it is an easement appurtenant.
 - C. only if it is an easement in gross.
 - D. always.
- 28.** An agent represents a
- A. buyer.
 - B. seller.
 - C. customer.
 - D. principal.
- 29.** What is another term for an agent entrusted to act on someone's behalf?
- A. subagent
 - B. surrogate
 - C. fiduciary
 - D. cooperating agent
- 30.** The seller of a one-family house is required to disclose to buyers
- A. the fact that the last occupant died of AIDS.
 - B. the structural and mechanical condition of the property.
 - C. information about a murder that occurred in the house ten years earlier.
 - D. the fact that the buyers are the original owners of the property.

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- 31.** The agent who brings a ready, willing, and able buyer to a seller is commonly called the
- A. buyer's agent.
 - B. seller's agent.
 - C. procuring cause.
 - D. fiduciary.
- 32.** Broker A has a listing agreement to sell Seller B's house. Broker A brings an offer to Seller B on behalf of Buyer C. Seller B rejects the offer and a week later attempts to negotiate directly with Buyer C. Seller B has violated
- A. the duty of care.
 - B. the duty of loyalty.
 - C. the duty of confidentiality.
 - D. obedience.
- 33.** Seller A has signed a listing agreement with Broker B. Without the assistance of Broker B, Seller A sells her property and under the terms of the listing agreement owes no commission to Broker B. What type of listing agreement did Seller A sign?
- A. a net listing
 - B. an exclusive authorization and right to sell listing
 - C. an option listing
 - D. an exclusive agency listing
- 34.** Broker A agrees to represent Seller B in the sale of her house. Seller B agrees to pay Broker A a commission if he successfully sells the house. What do we know for certain based on these facts?
- A. Broker A has an exclusive authorization and right-to-sell listing agreement.
 - B. A unilateral express contract exists between Broker A and Seller B.
 - C. Broker A has an exclusive agency agreement with the seller.
 - D. A bilateral express contract exists between Broker A and Seller B.
- 35.** Seller A wants to walk away with \$200,000 after the sale of her house and all expenses are paid. She agrees that Broker B can keep, as his fee, anything he gets above that. What type of agreement have they made?
- A. a net listing
 - B. an option listing
 - C. an exclusive agency listing
 - D. an open listing
- 36.** A cooperating broker may represent
- A. the buyer.
 - B. the seller.
 - C. the listing broker.
 - D. any of the above

- 37.** Who of the following owes fiduciary responsibility to the buyer?
- A. the seller's agent
 - B. the buyer's agent
 - C. the subagent of the seller
 - D. the subagent of the seller's agent
- 38.** A real estate salesperson is always considered an
- A. employee.
 - B. independent contractor.
 - C. agent of the buyer.
 - D. agent of the seller.
- 39.** Which of the following is not a type of listing agreement?
- A. open listing
 - B. multiple listing
 - C. net listing
 - D. exclusive agency listing
- 40.** A broker hired to sell a house is considered a
- A. universal agent.
 - B. general agent.
 - C. special agent.
 - D. limited agent.
- 41.** Seller A wants to get the broadest exposure for the sale of her house but does not want to pay a commission if she sells the house herself. What type of listing will she try to establish?
- A. open listing
 - B. pocket listing
 - C. multiple listing
 - D. exclusive authorization and right-to-sell listing
- 42.** Broker A has a listing to market Seller B's house. He also has a buyer's agency agreement to find a house for Buyer C. If Buyer C becomes interested in Seller B's house what might the danger be, if any, to Broker A?
- A. none
 - B. the creation of an open listing
 - C. a potential conflict of interest
 - D. the creation of a dual agency

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- 43.** All agency agreements for the sale of property must be in writing except creation of an agency by
- A. implied agreement.
 - B. estoppel.
 - C. ratification.
 - D. There are no exceptions.
- 44.** Broker A agrees in writing to keep details of Seller B's property in his files but indicated that he will not actively market it. Seller B agrees to pay Broker A a commission if he finds a buyer. This agreement would best be described as
- A. express bilateral.
 - B. express unilateral.
 - C. implied bilateral.
 - D. implied unilateral.
- 45.** An uncashed deposit check usually may be held and not deposited by the broker for how many days before an offer is accepted?
- A. three
 - B. five
 - C. seven
 - D. until the offer is accepted
- 46.** 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.
- 47.** Which of the following is not a characteristic of value?
- A. change
 - B. utility
 - C. transferability
 - D. demand
- 48.** 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

- 49.** 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.
- 50.** Which of the following is an example of functional obsolescence?
- A.** having to get to a bedroom by going through another bedroom
 - B.** a gas station located next to a house
 - C.** a house badly in need of exterior painting
 - D.** a house located within walking distance of a train station
- 51.** Which of the following is deducted from potential gross income to arrive at effective gross income?
- A.** operating expenses
 - B.** debt service
 - C.** vacancy and collection loss
 - D.** all of the above
- 52.** An appraisal may have more than one date on it. The date of the value estimate is the
- A.** inspection date.
 - B.** effective date.
 - C.** report date.
 - D.** certification date.
- 53.** If you assume that depreciation occurs at an even rate, what method of calculating depreciation would you be using?
- A.** economic age life method
 - B.** breakdown method
 - C.** market extraction method
 - D.** index method
- 54.** In the income approach to estimating value, another term for the capitalization rate is
- A.** before-tax cash-flow rate.
 - B.** cash-on-cash rate.
 - C.** expense ratio.
 - D.** rate of return.

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- 55.** A parking lot in a downtown area being developed with office buildings is most likely
- A. the highest and best use of the property.
 - B. an interim use of the property.
 - C. an economically feasible use of the property.
 - D. the best use of the property.
- 56.** The gross rent multiplier approach is a useful income approach in appraising
- A. special-purpose buildings like churches.
 - B. retail shopping malls.
 - C. office buildings.
 - D. single-family homes.
- 57.** In order to arrive at a final value estimate after applying all three approaches to value, which of the following will an appraiser do?
- A. Average the three values.
 - B. Reconcile the three values.
 - C. Adjust the three values so that they're equal.
 - D. Select the value closest to the sale price.
- 58.** Potential gross income of an investment property is the same as
- A. scheduled rent plus other building income.
 - B. current rent only.
 - C. market rent plus other building income.
 - D. market rent only.
- 59.** Which approach to valuation estimates land and building value separately?
- A. cost approach
 - B. income capitalization approach
 - C. sales comparison approach
 - D. gross rent multiplier approach
- 60.** What type of value is the term *ad valorem* most closely associated with?
- A. investment value
 - B. assessed value
 - C. market value
 - D. depreciated value

- 61.** Appraisers paid on the basis of a percentage of the value of a property are
- A. called fee appraisers.
 - B. usually only employed by banks and mortgage companies.
 - C. employed by investors to guarantee the most accurate appraised value.
 - D. in violation of appraisal ethical standards.
- 62.** “An improvement to a property is worth the value it adds, if any, to the whole property, not its individual cost or value” is a good definition of the principle of
- A. conformity.
 - B. change.
 - C. anticipation.
 - D. contribution.
- 63.** Rising mortgage interest rates will tend to
- A. lower property values.
 - B. raise property values.
 - C. have no effect on property value.
 - D. only affect appraised but not actual values.
- 64.** A person wanting 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
- 65.** A buyer purchases a \$275,000 house with \$60,000 down and a mortgage loan of \$215,000. In order to secure a preferred interest rate, the borrower must pay the bank 1 point. How much will this charge be?
- A. \$27,500
 - B. \$21,500
 - C. \$2,150
 - D. \$600
- 66.** Which of the following activities of the Federal Reserve System is likely to have the most direct effect on the rates charged for consumer credit?
- A. adjusting the reserve requirements
 - B. selling securities to raise funds
 - C. adjusting the discount rate
 - D. increasing the number of loans made to consumers

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- 67.** After 1989, who insured deposits in all federally chartered banks?
- A. FIRREA
 - B. FDIC
 - C. FHA
 - D. FHLB
- 68.** “The difference between the value of a property and all debts attributed to it” is a good definition of
- A. leverage.
 - B. LTV.
 - C. discounting.
 - D. equity.
- 69.** 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.
- 70.** 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.
- 71.** The object of creating a negotiable instrument is to
- A. allow a note to be transferred.
 - B. be able to foreclose on the property.
 - C. make sure payment is made.
 - D. avoid foreclosure.
- 72.** 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 the loan?
- A. \$19,600
 - B. \$5,599
 - C. \$1,634
 - D. Not enough information is provided.

- 73.** California law protects homeowners when the sale of the property cannot cover the outstanding mortgage balance
- A. under all circumstances.
 - B. only when the home has been owned for at least two years.
 - C. only on refinancing loans.
 - D. only on the original purchase mortgage loan.
- 74.** 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
- 75.** 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.
- 76.** Equity is most accurately defined as
- A. the sale price of the house minus the mortgage amount.
 - B. the value of the house minus all liens and encumbrances.
 - C. the value of the house minus the mortgage.
 - D. the amount of the down payment.
- 77.** The law that controls advertising of real estate loans is
- A. RESPA
 - B. ECOA
 - C. Regulation Z
 - D. FIRREA
- 78.** 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. a savings account.
 - B. a tax account.
 - C. an impound account.
 - D. a takeout account.

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- 79.** Which of the following is not true of VA and FHA loan programs in California?
- A. Loans are guaranteed or insured by these agencies.
 - B. Special qualifications or limits exist for these programs.
 - C. Both programs allow adjustable-rate mortgages.
 - D. Money is lent directly by these agencies.
- 80.** Which type of mortgage loan typically results in negative amortization?
- A. fixed rate
 - B. adjustable rate
 - C. growing equity
 - D. graduated payment
- 81.** 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
- 82.** 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.
- 83.** 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
- 84.** A testator who dies testate has no need of
- A. the laws of intestate succession.
 - B. a will.
 - C. probate.
 - D. the laws of accession.

- 85.** Which of the following is true?
- A. All accessions are accretions.
 - B. All accretions are accessions.
 - C. All accessions are improvements.
 - D. All accessions are fixtures.
- 86.** Builder A turns over the streets in his new subdivision to the town. He does this by
- A. private grant.
 - B. common law dedication.
 - C. public grant.
 - D. statutory dedication.
- 87.** Whose signature must be on a deed to make it valid?
- A. the grantee
 - B. the grantor
 - C. the grantor and the grantee
 - D. two witnesses
- 88.** Extra protection for title problems on property conveyed by a warranty deed is provided by
- A. the acknowledgment.
 - B. the signature of the grantee.
 - C. the granting clause.
 - D. title insurance.
- 89.** The creation of escrow is conditional on
- A. a meeting of the minds.
 - B. procurement of a ready, willing, and able buyer.
 - C. execution of a binding contract.
 - D. creation of a settlement statement.
- 90.** Which of the following is not a duty of an escrow agent?
- A. to disclose pertinent material facts
 - B. to prepare settlement statements
 - C. to bring an interpleader legal action if necessary
 - D. to conduct an independent investigation of the transaction

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- 91.** The process by which payments such as taxes are allocated at closing is called
- A. proration.
 - B. distribution.
 - C. accounting.
 - D. settlement.
- 92.** A seller has paid taxes of \$2,400 in advance on July 1 for the following year. He closes sale of the property on November 1. Who owes how much to whom?
- A. The seller owes the buyer \$1,400.
 - B. The buyer owes the seller \$1,400.
 - C. The seller owes the buyer \$1,200.
 - D. The buyer owes the seller \$1,200.
- 93.** The opposite of *marketable title* can best be expressed as
- A. good title.
 - B. chain of title.
 - C. abstract of title.
 - D. cloud on title.
- 94.** Which of the following is true regarding title insurance policy coverage for changes in land use as a result of zoning changes?
- A. It is covered by CLTA extended coverage policy.
 - B. It is covered by ALTA extended coverage policy.
 - C. It is not covered by either ALTA or CLTA extended coverage policy.
 - D. It is covered by both standard and extended coverage policies.
- 95.** The term *ad valorem* usually is associated with
- A. income taxes.
 - B. property taxes.
 - C. corporation taxes.
 - D. estate taxes.
- 96.** Assuming that the current assessed value of a property after all exemptions have been applied is \$55,000, what is the annual tax on that property?
- A. \$55
 - B. \$550
 - C. \$5,500
 - D. \$2,250

- 97.** What is the term used to describe the depositing of a client's funds into the broker's personal or business account?
- A. commingling
 - B. mixing
 - C. accounting
 - D. escrow
- 98.** What is the most desirable form of deposit from a seller's point of view?
- A. a demand note
 - B. a postdated check
 - C. an immediately negotiable check
 - D. All of the above are the same.
- 99.** The act that extended antidiscrimination protection to business establishments is the
- A. Federal Fair Housing Act.
 - B. Housing Financial Discrimination Act.
 - C. Unruh Civil Rights Act.
 - D. Fair Employment and Housing Act.
- 100.** The California law that specifically prohibits redlining is the
- A. Housing Financial Discrimination Act.
 - B. Unruh Civil Rights Act.
 - C. Fair Employments and Housing Act.
 - D. Rumford Fair Housing Act.
- 101.** Blind ads for real estate are permitted
- A. for all properties.
 - B. for no properties.
 - C. for mobile homes only.
 - D. when the owner wants to remain anonymous.
- 102.** A mobile home advertisement must be withdrawn within how many hours of the home being taken off the market?
- A. 12
 - B. 24
 - C. 48
 - D. 72

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103. A broker must maintain records of a transaction for how many years from the date of closing?

- A. 1
- B. 2
- C. 3
- D. 5

104. A broker who employs salespeople as independent contractors rather than employees has

- A. less supervisory responsibility.
- B. more supervisory responsibility.
- C. the same amount of supervisory responsibility.
- D. no supervisory responsibility.

105. A salesperson collects a commission directly from a homeowner after selling her house. Which of the following is true?

- A. The salesperson has violated the law.
- B. The salesperson can accept the commission.
- C. The salesperson can accept the commission as long as he shares an appropriate amount with his broker.
- D. The salesperson may accept the commission, but only if he is an independent contractor rather than an employee.

106. Which of the following activities could be performed by an unlicensed assistant?

- A. cold-calling to solicit listings
- B. contacting owners who have open listings to secure an exclusive listing
- C. creating sales brochures
- D. leasing activities on behalf of several building owners

107. Real estate law in California is administered by the

- A. Department of Real Estate.
- B. Department of State.
- C. Attorney General.
- D. Real Estate Advisory Commission.

108. A violation of the Real Estate Law could result in all of the following penalties except

- A. a fine.
- B. license suspension.
- C. license revocation.
- D. a term of not more than one year in jail.

- 109.** An unpaid child support obligation will result in what type of license being issued to a real estate salesperson applicant?
- A. a 30-day temporary license
 - B. a 90-day temporary license
 - C. a 120-day temporary license
 - D. a 150-day temporary license
- 110.** Which of the following is not exempt from requiring a real estate license?
- A. a resident property manager
 - B. a personal property broker
 - C. a vacation home rental agent
 - D. a corporation providing real estate sales services
- 111.** Payments for a financial injury sustained by a person as a result of the fraudulent practices of a real estate broker would be made from the
- A. California Association of Realtors.
 - B. California Real Estate Recovery Fund.
 - C. California Pooled Money Investment Fund.
 - D. California Residential Mortgage Lending Act.
- 112.** Which of the following statements is true?
- A. All real estate licensees are Realtors.
 - B. All real estate licensees are Realtists.
 - C. All real estate licensees are subject to the State Code of Real Estate Ethics.
 - D. none of the above
- 113.** Informed consent to practice dual agency is
- A. required by California law only.
 - B. required by the National Association of Realtors code of ethics only.
 - C. required by both California law and the National Association of Realtors code of ethics.
 - D. not required.
- 114.** When must a real estate salesperson be licensed in order to receive a commission?
- A. at the time of the transaction
 - B. at least 30 days before the transaction
 - C. within 30 days of the transaction
 - D. none of the above, as long as the broker is licensed

- 115.** How long does an applicant have from the time of passing the license exam to obtain his salesperson license?
- A. six months
 - B. one year
 - C. 18 months
 - D. two years
- 116.** Which of the following is true?
- A. All brokers are Realtors.
 - B. All salespeople must work for brokers.
 - C. All Realtors are salespeople.
 - D. All Realtors are brokers.
- 117.** The grace period during which an expired license may be renewed simply by paying a renewal fee is
- A. two years, and the agent can practice during that time.
 - B. two years, and the agent cannot practice during that time.
 - C. one year, and the agent can practice during that time.
 - D. one year, and the agent cannot practice during that time.
- 118.** Commercial property owners may require a maximum of
- A. three months' rent as security.
 - B. six months' rent as security.
 - C. 10% of the total lease amount as security.
 - D. There is no maximum.
- 119.** Public improvements such as sidewalks may be paid for by
- A. *ad valorem* taxes.
 - B. Mello-Roos Community Facilities Act bonds.
 - C. special assessments.
 - D. all of the above
- 120.** The agent conducting the mandatory physical inspection of the property certifies the completion of the inspection in
- A. the inspection certification.
 - B. HUD-1 Form.
 - C. the FNMA report form.
 - D. the Real Estate Transfer Disclosure Statement.

- 121.** Buyer A is interested in purchasing a property from an estate. He asks the broker how the previous owner died. The owner died 18 months ago by suicide. The broker
- A. must answer the question honestly.
 - B. may not reveal the information.
 - C. may reveal the information if he wants to.
 - D. must obtain the family's permission to reveal the information.
- 122.** Seller disclosure of a dwelling's physical condition is required of
- A. retail property.
 - B. commercial property.
 - C. mobile homes.
 - D. residential property of five units or more.
- 123.** Within what time frame must a legal action be filed as a result of information in a property transfer disclosure statement?
- A. six months
 - B. one year
 - C. two years
 - D. three years
- 124.** The Real Estate Recovery Account is funded from
- A. *ad valorem* taxes.
 - B. Mello-Roos assessments.
 - C. the California Board of Realtors.
 - D. real estate license fees.
- 125.** A house is being sold by a real estate broker on behalf of a homeowner. The basement leaks every time there's more than an inch of rain. The house is on a substandard-size lot, which will require a zoning variance to make any additions. The school district is rated in the bottom half of all districts in the state. And the furnace is 20 years old. Which of the following statements is least likely to be considered fraudulent misrepresentation?
- A. This house is in a great school district.
 - B. You shouldn't have any water problems in the basement.
 - C. The furnace is pretty new.
 - D. You'll have no problem adding on to the house.
- 126.** Broker A is selling property to Buyer B. In which, if any, of the following situations would Broker A have to disclose his interest?
- A. Broker A's brother-in-law owns the property.
 - B. Broker A owns the property.
 - C. Corporation C owns the property and Broker A is part owner of the corporation.
 - D. all of the above

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- 127.** A member of the National Association of Realtors is known as a
- A. broker.
 - B. realtor.
 - C. Realtor.
 - D. real estate agent.
- 128.** The Homeowner's Guide to Earthquake Safety must be provided to purchasers of one- to four-family homes built prior to
- A. January 1, 1960.
 - B. December 31, 1960.
 - C. January 1, 1978.
 - D. December 31, 1978.
- 129.** For disclosure purposes, a material fact effecting property value would include all but which of the following?
- A. an environmental hazard located on the property
 - B. an environmental hazard located 500 feet from the property
 - C. the presence of a significant minority population in the community
 - D. the fact that the house is built on a smaller-than-permitted lot
- 130.** Houses built after 1980 and sold with the assistance of a broker will require all of the following except
- A. a lead-paint hazard disclosure.
 - B. a Mello-Roos lien disclosure.
 - C. a real estate transfer disclosure statement.
 - D. an agency disclosure.
- 131.** With respect to disclosure, state responsibility areas deal with
- A. flood hazard.
 - B. fire hazard.
 - C. mudslide hazard.
 - D. seismic hazard.
- 132.** Ordnance location disclosure deals with the
- A. existence of special coastal zone regulations.
 - B. presence of possible building code violations in a structure.
 - C. likelihood of fire hazard in the area.
 - D. possibility of live ammunition from military installations in the area.

- 133.** 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
- 134.** 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.
- 135.** An option to purchase property is considered an
- A. express bilateral agreement.
 - B. express unilateral agreement.
 - C. implied bilateral agreement.
 - D. implied unilateral agreement.
- 136.** Which of the following types of listing agreements need not be in writing?
- A. an agent representing a buyer purchasing a home
 - B. an agent representing a seller selling commercial property
 - C. an agent representing a seller of vacant land when the agent also has an option to purchase the property
 - D. an agent representing a landlord renting rooms in a rooming house on a week-to-week basis
- 137.** A real estate broker always represents the principal, who is always the
- A. seller.
 - B. buyer.
 - C. customer.
 - D. buyer and/or seller.
- 138.** At what phase of the contract process is a real estate commission generally earned?
- A. submission of deposit
 - B. agreement of terms
 - C. mutual consent
 - D. deposit placed in a trust account

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- 139.** Buyer A indicates to Seller B that he wants to purchase Seller B's property for \$300,000. Seller B tells Buyer A that he would be willing to sell the property for \$350,000. At this point, which of the following is correct?
- A. Buyer A is the offeror; Seller B is the offeree.
 - B. Buyer A is the offeree; Seller B is the offeror.
 - C. Buyer A is the grantee; Seller B is the grantor.
 - D. Buyer A is the trustee; Seller B is the beneficiary.
- 140.** What is the minimum age for a married person to enter into a contract?
- A. 18
 - B. 19
 - C. 21
 - D. There is no minimum age for a married person.
- 141.** 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. refundable if the option is not exercised.
- 142.** An exclusive authorization and right-to-sell agreement is considered an
- A. implied unilateral contract.
 - B. express unilateral contract.
 - C. implied bilateral contract.
 - D. express bilateral contract.
- 143.** A tenant who stays in rented property after the lease has expired without the consent of the landlord is said to have
- A. an estate at sufferance.
 - B. an estate at will.
 - C. a periodic estate.
 - D. an estate for years.
- 144.** The tenant's interest in property is a
- A. leased fee and is considered real property.
 - B. leasehold and is considered personal property.
 - C. leased fee and is considered personal property.
 - D. leasehold and is considered real property.

- 145.** A periodic tenancy can be created from some other type of tenancy
- A. by agreement.
 - B. by the landlord accepting the rent.
 - C. neither A nor B
 - D. either A or B
- 146.** In addition to providing the services contracted for, what one thing is necessary for a commission payment to be enforced as a result of the listing agreement?
- A. The salesperson must have been licensed at the time of the transaction.
 - B. The agreement must be in writing.
 - C. The statement of services, such as advertising, must be clearly stated.
 - D. The date of payment must be stated.
- 147.** Broker A receives two offers on Seller B's house, which is listed for sale at \$250,000. The first offer is for all cash at \$200,000. The second offer is for 20% down with 80% financing for the full price. What should the broker do with respect to both offers?
- A. Present both offers to the seller as soon as possible.
 - B. Present only the first offer to the seller, because it's an all-cash offer and will result in a fast closing.
 - C. Present only the second offer to the seller, because it's for the full price.
 - D. Hold the offers for a week or so to see if more offers are made.
- 148.** The Mobilehome Residency Law covers agreements
- A. between management and resident owners.
 - B. between management and nonresident owners.
 - C. between management and tenants in a park-owned home.
 - D. both A and B
- 149.** The charging of interest on a note that is in excess of the statutory maximum rate is called
- A. a balloon loan.
 - B. the index.
 - C. an adjustable-rate loan.
 - D. usury.
- 150.** The two primary documents dealing with payment of a loan are the mortgage or deed of trust and a
- A. promissory note.
 - B. survey.
 - C. legal description.
 - D. sales contract.

Answer Key for Practice Test 1

- | | | |
|-------|-------|--------|
| 1. A | 36. D | 71. A |
| 2. B | 37. B | 72. A |
| 3. C | 38. A | 73. D |
| 4. A | 39. B | 74. C |
| 5. D | 40. C | 75. A |
| 6. D | 41. A | 76. B |
| 7. C | 42. D | 77. C |
| 8. D | 43. D | 78. C |
| 9. B | 44. B | 79. D |
| 10. C | 45. D | 80. D |
| 11. B | 46. C | 81. D |
| 12. A | 47. A | 82. C |
| 13. D | 48. D | 83. B |
| 14. A | 49. B | 84. A |
| 15. B | 50. A | 85. B |
| 16. D | 51. C | 86. D |
| 17. C | 52. B | 87. B |
| 18. B | 53. A | 88. D |
| 19. D | 54. D | 89. C |
| 20. B | 55. B | 90. D |
| 21. A | 56. D | 91. A |
| 22. B | 57. B | 92. B |
| 23. D | 58. C | 93. D |
| 24. D | 59. A | 94. C |
| 25. D | 60. B | 95. B |
| 26. A | 61. D | 96. B |
| 27. D | 62. D | 97. A |
| 28. D | 63. A | 98. C |
| 29. C | 64. A | 99. C |
| 30. B | 65. C | 100. A |
| 31. C | 66. C | 101. B |
| 32. A | 67. B | 102. C |
| 33. D | 68. D | 103. C |
| 34. D | 69. C | 104. C |
| 35. A | 70. B | 105. A |

106. C
107. A
108. D
109. D
110. D
111. B
112. D
113. C
114. A
115. B
116. B
117. B
118. D
119. D
120. D

121. A
122. C
123. D
124. D
125. A
126. D
127. C
128. A
129. C
130. A
131. B
132. D
133. A
134. B
135. B

136. D
137. D
138. C
139. B
140. D
141. C
142. D
143. A
144. B
145. D
146. B
147. A
148. D
149. D
150. A

Answers and Explanations for Practice Test 1

1. A. This is the standard term used to describe a continuous urban area where urbanization has filled in the space between cities.
2. B. Choices A and C are definitely wrong, because *chattel* is another term for personal property. The term *land* is usually used to describe the physical surface of the Earth and all that it comprises including minerals and soil; it is not used to describe the rights of ownership.
3. C. Littoral rights refer to still bodies of water. The right of appropriation has to do with state rights, and correlative use relates to underground water use.
4. A. A fixture is normally included in the transfer of ownership unless there is an agreement to the contrary.
5. D. This is the most correct answer, given the information. Trade fixtures normally belong to the tenant and may be removed unless otherwise stated in the lease, but the damage must not be substantial or be able to be easily repaired.
6. D. A street address may not be available for rural properties. One method is sufficient, though sometimes two methods are combined. Legal descriptions define land boundaries, so specific structures are not part of the description.
7. C. The rectangular survey system is a different system of legal description.
8. D. This is something you'll have to memorize.
9. B. The other forms of ownership can or do have some type of limitation.
10. C. The holder of a life estate has no fee ownership interest but has possession and use.
11. B. Taking title at the same time is a feature of joint tenancy not the other forms mentioned.
12. A. Joint tenancy and community property with right of survivorship provide for complete reversion of the property interest to the remaining owner(s).
13. D. It's important here to understand the meaning of the term *generic*. *Generic* means "general" or "all-encompassing." A real estate syndicate may be formed as any one of the other forms mentioned in the answer choices.
14. A. A property owner is entitled to compensation if the land loses all of its practical value for development or use.
15. B. All of the incorrect answers control and guide growth in some way, but the general statement of policies and goals for a community is contained in the general plan, also called the master plan.
16. D. Where the owner of a single lot has practical difficulty in developing that lot a variance is most appropriate.
17. C. The Subdivided Lands Law takes effect on five or more parcels of land.
18. B. The principle characteristic of a common-interest subdivision is the existence of property owned commonly by the owners.
19. D. Special programs have been adopted to deal with or protect all of these areas.
20. B. Choice B is the only completely true statement. All encumbrances are some form of limitation on title or property use.
21. A. All liens tend to create clouds on titles, some more easily resolved than others.
22. B. This is definitional. Choices C and D use words associated with easements but do not describe the interest of the party benefiting from the easement.
23. D. The object of a deed restriction must be legal.
24. D. A private deed restriction that causes a restraint on alienation that interferes with a person's right to freely transfer title to the property is void and, therefore, unenforceable.

- 25. D.** The police power grants the government the right of eminent domain, but the process by which it is implemented is called condemnation.
- 26. A.** This is an easement in gross, which does not run with the land. Choice D is actually a permit or license and not an easement at all. The other two answer choices are easements appurtenant.
- 27. D.** Because all easements are limitations on the use of land, they are always considered encumbrances.
- 28. D.** The agent may represent a buyer or seller but always represents the principal.
- 29. C.** You could argue that choices A and B have some qualities of representation, but in the context of real estate work, an agent is a fiduciary.
- 30. B.** Owners of one- to four-unit dwellings must complete a disclosure statement about the property's physical condition.
- 31. C.** The procuring cause is the agent who is successful at bringing the buyer and seller together.
- 32. A.** Although fiduciary duties are generally owed by the agent to the principal the duty of care—that is, not interfering with the business of the agent—is owed by the principal to the agent.
- 33. D.** You could get creative and think of ways the seller would owe no commission in one of the other listings, but the most straightforward and correct choice is D.
- 34. D.** The only thing you know for certain is the nature of the contract, because the broker would be paid in either listing agreement if he were the procuring cause.
- 35. A.** This is a perfect description of a net listing, with the broker keeping as his fee the difference between the net to the owner and the selling price.
- 36. D.** A cooperating broker may represent any of the choices.
- 37. B.** The confusing choice here would have been cooperating broker, because she could be either a buyer's or seller's agent.
- 38. A.** Although any of the incorrect answers may be true sometimes, the salesperson is always considered an employee of the broker for purposes of supervision.
- 39. B.** The multiple listing services are marketing tools to share listings.
- 40. C.** A special agent is hired to perform a limited scope of services, like one real estate transaction.
- 41. A.** Choices B and C are not types of listings, and she will pay in the Choice D agreement even if she sells the house herself.
- 42. D.** This can be taken care of by obtaining the consent of both the buyer and the seller to act as a dual agent.
- 43. D.** This is a tricky question because all of these types of agencies must be in writing even if the written agreement comes after the fact.
- 44. B.** The terms have been clearly stated, so it is express. Only one party, the seller, has agreed to act only if the broker finds a buyer, so it's unilateral.
- 45. D.** The three-day clock for depositing the check starts when the offer is accepted.
- 46. C.** The highest and best use is that use the property can be put to that will result in its highest value.
- 47. A.** Change is a principle of value, not a characteristic of value. The fourth characteristic of value is scarcity.
- 48. D.** Two or more properties when combined may benefit from the increase in size, which allows more varied uses. This increase in value is called plottage.
- 49. B.** Adjusting comparables to the subject is the process of accounting for differences between properties. Reconciling comes near the end of the appraisal process. *Equalization* is a term associated with tax assessment. Estimating value is the definition of appraising.

- 50. A.** *Functional obsolescence* refers to design flaws or outmoded design features. The gas station is external obsolescence. Painting is physical deterioration. Being close but not next to the train station is probably a positive factor.
- 51. C.** A vacancy and collection loss factor is subtracted from potential gross income to arrive at effective gross income. Operating expenses are subtracted from effective gross income. Debt service is never considered in preparing an operating statement for appraisal purposes.
- 52. B.** In theory, all four of these dates may be the same, but if they are different, the effective date is the date upon which the appraiser's estimate of value is based.
- 53. A.** The economic age life method is also called the straight line method. The breakdown and market extraction methods are more detailed techniques for estimating depreciation. The index method is actually a way to estimate building cost not depreciation.
- 54. D.** The capitalization rate is often referred to as the rate of return. The other three terms are used in income approach appraisals but do not refer to the capitalization rate.
- 55. B.** This question might be tricky because all of the wrong answers might be correct to some extent. But interim use is the best choice because the parking lot is probably only a temporary use that the land is being put to while awaiting development of its highest and best use, an office building.
- 56. D.** The cost approach is useful for special-purpose buildings. The income capitalization approach would be used for large-scale income properties like retail malls and office buildings. The gross rent multiplier approach is best used as the income approach for one- and two-family houses.
- 57. B.** The appraiser reconciles the three values by analyzing them and weighting them according to the type of property being appraised and the method used.
- 58. C.** Potential gross income includes an estimate of market rent plus income from other sources like laundry machines and parking.
- 59. A.** The cost approach is the only valuation approach that estimates land and building separately with a depreciated building value being added to the land value for a total value estimate.
- 60. B.** *Ad valorem* relates to assessed value, which the value property taxes are usually based on.
- 61. D.** The Uniform Standards for Professional Appraisal Practice make it unethical to base an appraisal fee on the value of the property being appraised.
- 62. D.** The other choices are principles of value, but contribution deals with the value or cost of a particular improvement, like a new bathroom, as it affects the overall value of the property.
- 63. A.** Rising interest rates will mean that the amount of money the buyer has available for a mortgage will not go as far as it will when interest rates are lower.
- 64. A.** Using other people's (borrowed) money to extend the buying power of your own money is called leveraging.
- 65. C.** A point is 1% of the amount borrowed.
 $\$275,000 - \$60,000 = \$215,000$ (mortgage amount)
 $\$215,000 \times 0.01 = \$2,150$
- 66. C.** Although choices A and B may also have some effect on the amount of money available, adjusting the discount rate will ultimately directly affect the rates charged for consumer borrowing. The Federal Reserve System does not make direct consumer loans so Choice D is wrong.
- 67. B.** The Federal Deposit Insurance Corporation (FDIC) took over this responsibility after passage of the FIRREA in 1989.
- 68. D.** All the choices relate to financing and mortgage loans, but the definition in the question is the exact definition of equity.

- 69. C.** Choices A, B, and D all relate to the document using the property as security for the note but not the terms of the note itself.
- 70. B.** Amortization results in the loan being paid off gradually over time.
- 71. A.** A negotiable instrument allows a debt to be transferred from one creditor to another.
- 72. A.** Interest on a mortgage loan is calculated this way:
Total Amount Borrowed \times Interest Rate
 $\$280,000 \times 0.07 = \$19,600$
- 73. D.** The statute in the California Code only covers the original loan used to purchase the house.
- 74. C.** The percent quoted as the loan-to-value (LTV) ratio is the amount the bank will lend. The remainder is what is needed for the down payment.
 100% (purchase price) $- 80\%$ LTV = 20% down payment
 $\$330,000$ (purchase price) $\times 0.20$ (down payment) = $\$66,000$ (cash needed)
- 75. A.** Discount points raise the yield to the lender above that of the stated interest rate, so if points were paid to secure a 6% loan, the yield to the bank would be more than 6% . How much more depends on how many points are paid.
- 76. B.** Although, at the moment of sale, if the sale price equals the value, choices A and D would be correct, the most accurate choice is B.
- 77. C.** Regulation Z, also known as the Truth in Lending Act, deals with what information must appear in real estate loan advertising.
- 78. C.** This is definitional and the other answer choices are made up.
- 79. D.** Direct loans may be made in other parts of the country where mortgage money may not be readily available, but not in California.
- 80. D.** The graduated-payment mortgage loan has lower payments in the early years of the loan, which do not cover the full payment of principal and interest, thereby adding unpaid charges to the loan amount.
- 81. D.** Choices A, B, and C are different names for the same purchase finance arrangement.
- 82. C.** This is definitional.
- 83. B.** Profit is calculated by multiplying the rate of appreciation by the total price of the house.
 $\$300,000 \times 0.25 = \$75,000$
- 84. A.** The person who makes a will (testator) and dies testate (with a will) has no need for the laws that deal with the inheritance when someone dies without a will (intestate).
- 85. B.** Accession is adding to property by various means including accretion.
- 86. D.** This type of property conveyance, usually done as part of a project like a subdivision, is called a statutory dedication.
- 87. B.** The person conveying the property (the grantor) must sign the deed.
- 88. D.** Title insurance passes on the liability of the grantor to a title insurance company.
- 89. C.** Escrow is created when a binding contract is signed and conditional delivery of documents is agreed to.
- 90. D.** The escrow agent does not provide advice on the merits of the transaction.
- 91. A.** Although the other answers may be descriptive, the proper term is *proration*.

- 92. B.** Because the sellers prepaid this item but will only be in the house for 5 months (note November 1 not November 30), the buyer will owe the seller 7 months' worth of taxes.
 $\$2,400 \div 12 \text{ months} = \200 per month
 $\$200 \text{ per month} \times 7 \text{ months} = \$1,400$
- 93. D.** Cloud on title signifies a problem often rendering the title less than marketable.
- 94. C.** Zoning changes are not covered by either policy.
- 95. B.** The term *ad valorem* means "related to the value." Property taxes are calculated on the basis of property value.
- 96. B.** The statutory property tax rate is 1%.
 $\$55,000 \times 0.01 = \550
- 97. A.** This is definitional.
- 98. C.** An immediately negotiable check is arguably the easiest to collect on, so it provides the greatest security to the seller.
- 99. C.** The purpose of the Unruh Act was to extend protection from discrimination by business establishments.
- 100. A.** This is definitional.
- 101. B.** Blind ads are illegal.
- 102. C.** The law says 48 hours.
- 103. C.** This is statutory.
- 104. C.** A broker has the same supervisory responsibility regardless of the employment status of the salesperson.
- 105. A.** Commissions are paid to the broker, who then shares the agreed-to amount with the salesperson.
- 106. C.** The three other answers are activities that require a real estate license.
- 107. A.** Choice D is the group that advises the Commissioner of Real Estate.
- 108. D.** Jail would not be a penalty unless some crime were committed beyond violation of the Real Estate Law.
- 109. D.** The 150-day license will not be turned into a regular license unless the child support obligation is satisfied.
- 110. D.** A real estate brokerage corporation must have a corporation license.
- 111. B.** This is statutory.
- 112. D.** Choices A and B require membership in those private organizations, and such membership is not mandatory. The state has no official code of ethics for real estate licensees.
- 113. C.** Both state law and the NAR ethics code require informed consent.
- 114. A.** This is statutory.
- 115. B.** This is statutory.
- 116. B.** Realtor is a trademarked name that comes with voluntary membership by brokers and salespersons in the National Association of Realtors. Although not all real estate licensees are members of NAR, all salespersons must work under the supervision of a broker. Therefore, Choice B is the correct response.
- 117. B.** This is statutory.
- 118. D.** This is statutory.
- 119. D.** This is a matter of statutory tax laws.
- 120. D.** This is statutory. Choice A is made up, Choice B is the closing statement form, and Choice C is made up but hints at the FNMA Appraisal Report Form.
- 121. A.** This is statutory.

- 122. C.** This is statutory.
- 123. D.** This is statutory.
- 124. D.** This is statutory.
- 125. A.** The quality of the school district would most likely be considered an opinion. The other statements, given the fact that they are factually wrong, would more than likely be considered fraudulent misrepresentation.
- 126. D.** These are all situations in which the broker would have to disclose his interest to the buyer.
- 127. C.** Realtor is a trademarked name for members of the National Association of Realtors.
- 128. A.** This is statutory.
- 129. C.** No mention of racial or other protected class issues can be made or considered as value-related.
- 130. A.** The cutoff date for lead-paint disclosure is for houses built before 1978.
- 131. B.** These are high fire hazard areas and must be disclosed to the buyer.
- 132. D.** Don't be confused by the spelling. *Ordnanace* refers to military weapons. *Ordinance* refers to public rules and regulations.
- 133. A.** The fact that it is in writing makes this an express contract, and both parties having agreed to act makes this a bilateral agreement.
- 134. B.** The contract is not valid and, therefore, is void because the object of the contract—that is, burning down the building—is illegal.
- 135. B.** Because it's a real estate agreement, it will be in writing, therefore express, and only one party must act, so it is unilateral.
- 136. D.** Listing agreements for rentals of leases for less than a month need not be in writing.
- 137. D.** A common misconception is that the broker always represents the seller. Buyer agency agreements are becoming more common, so the broker may represent the buyer and, in the case of dual agency, the buyer and the seller.
- 138. C.** *Mutual consent* is another term for meeting of the minds.
- 139. B.** At the point at which the buyer's offer was rejected and a counteroffer made, the seller became the offeror and the buyer the offeree.
- 140. D.** A married person is considered an adult for contractual purposes.
- 141. C.** The consideration is paid to obtain the right to purchase property at some future date. It is not refundable.
- 142. D.** The agent's promise to market the property and the seller's promise to compensate the agent are generally expressed in writing.
- 143. A.** This is definitional.
- 144. B.** This is definitional.
- 145. D.** Acceptance of rent and/or negotiating an agreement can change a tenancy at will or tenancy at sufferance into a periodic tenancy.
- 146. B.** Choice A might be confusing, but it's the broker who has to be licensed because the listing agreement is with him.
- 147. A.** Unless there are special prior instructions from the seller, the broker must present all offers.
- 148. D.** This is statutory.
- 149. D.** This is the definition of usury.
- 150. A.** The other documents mentioned might be part of a mortgage application, but the question deals with payment documents.

