

1 The Real Estate Business

SUPPLEMENTAL CHAPTER QUESTIONS CHAPTER 1: THE REAL ESTATE BUSINESS

1. Which of the following professional activities is a real estate broker or agent most likely to be directly involved in?
 - a. Holding real estate as an investment.
 - b. Regulating use of real estate.
 - c. Transferring real estate ownership.
 - d. Destroying existing improvements.

2. The distinguishing feature of commercial property is that
 - a. it is not occupied by an owner-user.
 - b. it has the potential to generate income from its use by a business.
 - c. it is held by its owners primarily for its investment value.
 - d. it houses multiple tenants.

3. An important reason for a real estate salesperson or broker in a large market to specialize in a geographical area is that
 - a. large market areas have usually been divided up geographically by competing brokers.
 - b. customers generally identify brokers with the area immediately around their offices.
 - c. geographical specialization is the only legal way to organize business.
 - d. it is difficult to maintain adequate market knowledge on a large area.

4. A real estate professional who oversees the day-to-day operation of a specific property on behalf of the owner is a(n)
 - a. property manager.
 - b. asset manager.
 - c. maintenance technician.
 - d. management consultant.

5. Which of the following is a primary real estate brokerage activity?
 - a. Obtaining a zoning variance for a home owner.
 - b. Appealing an assessed valuation for a client.
 - c. Assisting a developer to subdivide a property.
 - d. Locating a landlord for a tenant.

6. The real estate industry is regulated by federal, state and local laws, as well as by
 - a. its own professional codes of ethics.
 - b. the local Chamber of Commerce.
 - c. the Consumer Protection Agency.
 - d. the Better Business Bureau.

7. The agency that administers and enforces license laws in each state is the
 - a. state department of revenue.
 - b. U.S. Attorney's office.
 - c. real estate commission, council, or similar board.
 - d. U.S. Circuit Court or U.S. Court of Appeals.

8. In addition to specifying who must obtain a real estate license and requirements for obtaining one, license laws also define
- a. how licensees must handle escrow deposits, funds, and fees.
 - b. the minimum commission split a broker can give a salesperson.
 - c. how many salespeople in a broker's office can have active licenses at a given time.
 - d. how many brokers may cooperate in a single transaction.
9. An investment property is
- a. any property that yields a profit to the owner when it is sold.
 - b. any property that is used for a purpose other than habitation.
 - c. any property that is held by its owners for investment purposes.
 - d. any property that produces a positive cash flow for its owner.
10. A residential property is one that
- a. is occupied by no more than five families.
 - b. is used primarily for habitation.
 - c. is located in a residential zone.
 - d. contains a house.

Answers to supplemental chapter questions:

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

2 Rights in Real Estate

SUPPLEMENTAL CHAPTER QUESTIONS CHAPTER 2: RIGHTS IN REAL ESTATE

1. "Real estate" includes such things as
 - a. fences, sidewalks, and piers on a parcel of land.
 - b. mobile homes temporarily parked on a parcel of land.
 - c. timber that has been cut and is lying on a parcel of land.
 - d. business equipment an owner or tenant has placed on a parcel of land.
2. An "improvement" is
 - a. a modification of land to make it more useful.
 - b. a modification of a structure to enhance its value.
 - c. a structure intended as a permanent attachment to land.
 - d. a parcel of land that has been prepared for development.
3. The physical limits of land are
 - a. the surface of the earth and infinite space above the surface.
 - b. the center of the earth and infinite space above the earth.
 - c. the surface of the earth and all water and minerals on or below the surface to the center of the earth.
 - d. the surface of the earth and the air rights above the surface to the point defined by local zoning.
4. The "bundle of rights" refers to a set of rights
 - a. enjoyed by the owner of a property.
 - b. that is inseparable from a parcel of real estate.
 - c. guaranteed to citizens by the Declaration of Independence.
 - d. specified in a deed or land contract.
5. The rights to possess and use a property are
 - a. inviolable.
 - b. infinite and unlimited.
 - c. limited by what the law allows.
 - d. dependent on the type of property involved.
6. By definition, personal property
 - a. includes real property.
 - b. is any property that is not real property.
 - c. is any property owned by an individual.
 - d. is real property that is not attached to real estate.
7. The right to encumber a property means that the owner can
 - a. build fences and road blocks.
 - b. use the property as collateral for debt.
 - c. lease the property.
 - d. assign the bundle of rights to another.

8. A property owner has the right to transfer water rights
- if the owner has not previously separated the bundle of rights.
 - only to the owner of an adjoining property.
 - only if there are water rights attached to the property.
 - without constraint.
9. A lease is an example of a(n)
- transfer of a portion of the bundle of rights.
 - encroachment on the bundle of rights.
 - transfer of the complete bundle of rights.
 - transfer of surface rights.
10. Which of the following is included in surface rights?
- Air rights.
 - Subsurface rights.
 - Water rights.
 - Mineral rights.
11. The right to build a structure on top of an existing structure is an example of
- the right to encumber.
 - surface rights.
 - the right to improve.
 - air rights.
12. Water rights include the right to
- extract water from the water table.
 - divert surface water onto an adjoining property.
 - prevent a stream or river from flowing onto an adjoining property.
 - own and use a body of water on the surface of the earth.
13. Littoral rights concern which of the following bodies of water?
- Lakes entirely contained within the boundaries of an owner's property.
 - Streams and rivers.
 - Navigable lakes, seas, and oceans.
 - Navigable streams and rivers.
14. If littoral rights attach to a property, the property extends to
- the high water mark of the body of water.
 - the low water mark of the body of water.
 - the center line of the body of water.
 - the property line of a property that also has littoral rights on the opposite side of the body of water.
15. Which of the following is true of littoral rights?
- They revert to the state when the property is sold.
 - They cannot be transferred.
 - They are a personal right belonging to an individual owner, not attaching to the real property.
 - They transfer with the property when the property is sold.

16. Riparian rights concern which of the following bodies of water?
- Lakes.
 - Seas and oceans.
 - Streams and rivers.
 - Navigable lakes.
17. Who owns the land under a navigable river?
- Owners of properties that abut the river.
 - No one.
 - The state.
 - The municipality, if the area is incorporated.
18. If a property has riparian rights, the owner has the right to
- pollute the water for a legitimate business purpose.
 - build a dam.
 - require downstream property owners to pay a fee for use of the water.
 - use the water in a way that does not infringe on another's riparian rights.
19. If a property abuts a navigable river, where is the boundary of the property?
- At the water's edge.
 - At the high water mark.
 - At the midpoint of the river.
 - At the flood marker.
20. What is a "fixture?"
- Any item of personal property located within the boundaries of a parcel of real estate.
 - An item of personal property that has been converted to real property.
 - An item of real property temporarily placed on land for the purpose of conducting a business.
 - An item of personal property that has been left in one location for a period of one year.
21. Even though it is attached to a structure, an item may be considered personal property rather than real property if
- the owner originally intended to remove it after a period of time.
 - it can be removed without altering the appearance of the structure.
 - it is unnecessary to the physical integrity of the structure.
 - the owner installed it at some time after acquiring the real property.
22. The level of government that is the primary regulator of the real estate business is
- the county.
 - the state.
 - the court system.
 - the U.S. Congress.

Answers to supplemental chapter questions:

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

3 Interests and Estates

SUPPLEMENTAL CHAPTER QUESTIONS CHAPTER 3: INTERESTS AND ESTATES

1. Two people own a house, each having an undivided equal interest. Which of the following best describes what they own?
 - a. Each owns fifty percent of the physical house and the land it rests on.
 - b. Each owns one hundred percent of the physical house and the land it rests on.
 - c. Each owns fifty percent of the estate represented by the real property, but no physical portion of the real property.
 - d. Each owns one hundred percent of the estate represented by the real property and fifty percent of the physical house and the land it rests on.
2. An interest in real estate that includes the right to possess is considered
 - a. an estate in land.
 - b. a freehold estate.
 - c. a fee simple estate.
 - d. an encumbrance.
3. An interest in real estate that does not include the right to possess is considered
 - a. a leasehold interest.
 - b. a fee simple estate.
 - c. an encumbrance.
 - d. a tenancy.
4. The right to zone land and the right to acquire ownership of land by eminent domain are both examples of
 - a. a public interest.
 - b. a possessory interest.
 - c. an encumbrance.
 - d. an estate in law.
5. If the duration of an owner's rights in an estate cannot be determined, the owner possesses
 - a. an indeterminate legal estate.
 - b. a leased fee simple estate.
 - c. a freehold estate.
 - d. a leasehold estate.
6. The distinguishing feature of a leasehold estate is
 - a. ownership of an interest by a tenant.
 - b. temporary ownership of the full bundle of rights in a property.
 - c. unlimited ownership of one right in the bundle of rights in a property.
 - d. duration limited by a lease term.

7. Which of the following is a freehold tenant?
- The owner of a freehold estate.
 - The lessee in a leased property.
 - The lessee of a freehold estate.
 - Any owner of an estate in land.
8. In what kind of estate does ownership revert to the grantor of the estate if usage fails to conform to a stated condition in the grant?
- Fee simple absolute.
 - Life estate with reversion.
 - Life estate with condition subsequent.
 - Fee simple defeasible.
9. Bob grants his sister Mary an estate for as long as she lives, but her heirs cannot inherit the estate. What kind of estate is it?
- An estate pur autre vie.
 - An estate for years.
 - An ordinary life estate.
 - A legal life estate.
10. Homestead, dower and curtesy, and elective share are examples of
- a conventional life estate.
 - a legal life estate.
 - an estate created by an owner's agreement.
 - a fee simple absolute.
11. To convey clear title in a dower and curtesy state,
- both spouses must release their interest to the other spouse.
 - both spouses must sign the conveyance.
 - there must be two separate conveyances, each signed by one spouse.
 - the head of household must sign the conveyance.
12. States that do not have dower and curtesy usually have either community property laws or
- descent by escheat.
 - elective share.
 - share by the entirety.
 - judicial election.
13. Which of the following rights is conveyed with a leasehold estate?
- The right to exclude everyone from the premises.
 - The right to encumber the fee interest.
 - The right to sell the premises.
 - The right to possess and use the premises.
14. An estate from period-to-period will continue as long as
- the tenant makes, and landlord accepts, regular rent payments.
 - the term specified in the lease.
 - the period is less than a year.
 - the landlord has not given notice of termination.

15. An estate at will
- a. cannot be terminated.
 - b. is terminated only if so stated in the lessee's last will and testament.
 - c. terminates on the death of lessor or lessee.
 - d. terminates on the date specified in the lease agreement.
16. If a tenant occupies a leased property without the consent of the landlord after a lease expires, the type of estate that results is called
- a. an estate at sufferance.
 - b. a holdover estate.
 - c. an adverse leasehold.
 - d. a hostile leasehold.

Answers to supplemental chapter questions:

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

4 Ownership

SUPPLEMENTAL CHAPTER QUESTIONS CHAPTER 4: OWNERSHIP

1. Which of the following is true of a tenancy in common?
 - a. The co-owners must be married.
 - b. The tenants share an indivisible interest.
 - c. The tenants must acquire their interests at the same time.
 - d. The tenants own equal shares of the estate.

2. A tenant in common can
 - a. sell, encumber or transfer his or her interest to an outside party without the consent of the other tenants in common.
 - b. use his or her interest in the estate to encumber the entire estate.
 - c. sell, encumber or transfer his or her interest only to the other tenants in common.
 - d. sell, encumber or transfer his or her interest only with the consent of all the other tenants in common.

3. When a tenant in common dies, what happens to the tenant's interest in the estate?
 - a. It is divided equally among the surviving tenants in common.
 - b. The surviving tenants must buy the interest from the deceased tenant's heirs or sell their interests to the heirs.
 - c. It becomes a joint tenancy.
 - d. It passes by probate to the deceased tenant's heirs.

4. Which of the following is true of a joint tenancy?
 - a. The tenants can determine the size of the share owned by each tenant.
 - b. The size of the tenant's shares is determined by the amount of equity each has invested in the property.
 - c. The tenants have an equal and indivisible ownership interest.
 - d. There can be no more than two co-owners, and each has a fifty percent interest.

5. In contrast to a tenancy in common, in a joint tenancy
 - a. there is a single title to the property.
 - b. there are as many titles to the property as there are co-owners.
 - c. title is held by a corporate entity.
 - d. co-owners who are married hold separate titles.

6. If a joint tenant sells his or her interest to an outside party,
 - a. the new owner becomes a joint tenant.
 - b. the new owner is a tenant in common.
 - c. the joint tenancy terminates and all owners become tenants in common.
 - d. the joint tenancy terminates and the owners must create a new joint tenancy to include the new owner.

7. When a joint tenant dies, what happens to the tenant's interest in the estate?
 - a. It passes to the decedent's heirs, who become joint tenants.
 - b. It passes as a tenancy in common to the decedent's heirs.
 - c. The joint tenancy terminates and becomes a tenancy in common with the decedent's heirs and the surviving tenants as co-owners.
 - d. It passes to the surviving joint tenants.
8. The most common form of co-ownership when the owners are not married is
 - a. tenancy in common.
 - b. joint tenancy.
 - c. tenancy by the entireties.
 - d. tenancy in partnership.
9. If a co-owner in a joint tenancy or tenancy in common wants to dispose of his or her interest against the wishes of the other co-owners, the co-owner can
 - a. sue in court for a termination of the tenancy and partition of the property.
 - b. deed the property to himself or herself as a tenancy in severalty.
 - c. create a trust with himself or herself as sole beneficiary.
 - d. file a foreclosure suit to force the other owners to sell their interests.
10. Two individuals can own a house as tenants by the entireties if
 - a. they so elect at the time of acquiring title.
 - b. they are blood relatives.
 - c. they are married.
 - d. they incorporate.
11. One of the benefits offered by ownership in a tenancy by the entireties is
 - a. the estate is subject to foreclosure only for jointly incurred debts.
 - b. the estate may be terminated only by mutual agreement.
 - c. the estate is not subject to foreclosure.
 - d. a co-owner may transfer his or her fractional interest without the consent of other co-owners.
12. When an estate is held in a trust, who holds legal title?
 - a. The beneficiary.
 - b. The trustor.
 - c. The trustee.
 - d. The grantor.
13. When real property is held in a land trust, who controls the property?
 - a. The trustor.
 - b. The trustee.
 - c. The beneficiary.
 - d. The property manager appointed by the trustee.
14. A condominium owner can
 - a. sell or mortgage the condominium unit without hindrance from individual owners of neighboring units.
 - b. sell the interest in the physical unit separately from the interest in the common elements.
 - c. exclude non-owners from the unit owner's pro rata portion of the common elements.
 - d. exclusively possess and use those portions of the common areas structurally or functionally necessary for the operation of the unit.

15. A condominium owner's assessments for maintenance and operation are based on
- the unit's pro rata share of floor space.
 - the unit's pro rata share of the property value as defined in the declaration.
 - the number of shares the owner purchased in the condominium association.
 - the assessed value of the condominium unit.
16. The owner of a cooperative owns
- shares in a corporation or association and a proprietary lease in a physical unit.
 - a fee simple interest in a physical unit plus a tenancy in common in common elements.
 - a tenancy in common in a physical unit and the common areas.
 - a ground lease in the physical unit's pro rata share of land and a proprietary lease in the unit.
17. In a cooperative, real property is owned only by
- the individual unit owners.
 - the individual unit owners and the cooperative association.
 - the cooperative developer.
 - the corporate entity of the cooperative association.
18. In a time-share freehold, owners acquire
- undivided interests as tenants in common.
 - a tenancy from period-to-period for a portion of a year.
 - a pro rata share of a leased fee.
 - a tenancy in severalty for a portion of a year.

Answers to supplemental chapter questions:

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

5 Encumbrances and Liens

SUPPLEMENTAL CHAPTER QUESTIONS CHAPTER 5: ENCUMBRANCES AND LIENS

1. An encumbrance is most broadly defined as
 - a. another's right to use a property without the permission of the property owner.
 - b. another's right to claim the sale proceeds of a property that has been used as collateral for a loan.
 - c. another's interest in a real property that limits the interests of the freehold property owner.
 - d. another's right to control how the freehold owner of a real property uses the property.
2. Which of the following is true of easements in general?
 - a. They involve the property that contains the easement and a non-owning party.
 - b. They apply to a whole property, not to any specific portion of the property.
 - c. They cannot be assigned or transferred.
 - d. They may require a specific use, but cannot prohibit one.
3. In what kind of easement is there a dominant tenement and a servient tenement?
 - a. An easement in gross.
 - b. A commercial easement.
 - c. A personal easement.
 - d. An easement appurtenant.
4. If the owner of property A has a court-ordered easement to drive across property B because it is the only way for A to have access to a public road, the easement is a(n)
 - a. easement by prescription.
 - b. personal easement.
 - c. easement by necessity.
 - d. easement in gross.
5. Property A and property B share a common wall along the property boundary. To ensure that neither owner destroys the wall, the owners of A and B should create
 - a. an easement by necessity.
 - b. a perpetual encroachment.
 - c. a license.
 - d. a party wall easement.
6. An encroachment is
 - a. an easement that has not been recorded on the title of the burdened property.
 - b. an unauthorized physical intrusion of one property into another.
 - c. a right granted by a property owner to the owner of an adjoining property to build a structure that protrudes across the property boundary.
 - d. a structure that does not comply with a zoning ordinance.

7. A court might grant an easement by prescription if
- a municipality needs to dig a trench across an owner's property to install a sewer line to a neighboring property, and the owner refuses permission.
 - a property owner sells the front half of a lot and wants to continue using the driveway to reach the rear of the lot.
 - an intruder has been using an owner's property for a certain period with the owner's knowledge but without permission.
 - a property owner wants to prevent the owner of an adjoining property from building a second-story addition that blocks the sunlight to his rose garden.
8. Deed restrictions generally concern
- the form of ownership in which a property may be held.
 - how long a property must be owned before it can be legally transferred.
 - what groups of people are legally excluded from future ownership of a property.
 - how a property may be used and what structures may be built on it.
9. One difference between a condition and a covenant is that
- breach of a covenant leads to forfeiture of ownership.
 - a covenant can be enforced in court.
 - a condition can be created at any time.
 - a condition can be created only when there is a transfer of ownership.
10. The lienee in a lien is the
- party who initiates the lien.
 - owner of the property that is subject to the lien.
 - party who has a claim against the owner of the property subject to the lien.
 - property that is given as security for a debt.
11. A lien is a
- debt incurred by a property owner.
 - promissory note granted by a property owner as security for a debt.
 - creditor's claim against property as security for a debt of the property owner.
 - document that creates an easement.
12. What kind of interest does a lienor usually have in the lien property?
- A possessory interest.
 - Legal ownership of a dominant tenement.
 - A legal interest in a pro rata share of the property.
 - An equitable interest, except a mortgage lienor in a title-theory state.
13. How is a lien terminated?
- Payment of the debt that is the subject of the lien and recording of the satisfaction.
 - Transfer of the property that has the lien.
 - Recording of another lien that is superior.
 - Death of the lienor or lienee.
14. A general lien is a lien
- imposed by statutory law.
 - imposed by court order.
 - placed against an individual rather than against any particular property.
 - placed against any and all property owned by an individual.

15. A real estate tax lien, a federal income tax lien, a judgment lien, and a mortgage lien are recorded against a property. Which lien will be paid first when the property is sold?
- Real estate tax lien.
 - Federal income tax lien.
 - Judgment lien.
 - Mortgage lien.
16. A lien holder can change the priority of a junior lien by agreeing to
- change the date of recording.
 - lower the amount of the claim.
 - vacate the lien.
 - subordinate the lien.
17. Which of the following tax liens is a junior lien?
- Special assessment tax lien.
 - Inheritance tax lien.
 - Income tax lien.
 - Ad valorem tax lien.
18. Foreclosure is
- a court-ordered acceleration of loan payments.
 - the final step in a bankruptcy filing.
 - a proceeding to enforce a lien by forcing sale or transfer of a secured property.
 - a proceeding to take equitable title to a property that was liened as security for a mortgage loan.
19. A property is secured by a mortgage that does not contain a "power of sale" clause. To foreclose, the lien holder will have to
- file a deficiency suit.
 - file a foreclosure suit.
 - obtain a deed in lieu of foreclosure.
 - obtain a writ to extinguish the lien.
20. In a strict foreclosure,
- a lender takes title to the liened property directly.
 - a lender receives the proceeds from the forced sale of the liened property.
 - the defaulting owner does not have the opportunity to prevent the foreclosure by paying the amounts owed.
 - a foreclosure suit is optional.

Answers to supplemental chapter questions:

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

6 Transferring and Recording Title to Real Estate

SUPPLEMENTAL CHAPTER QUESTIONS CHAPTER 6: TRANSFERRING & RECORDING TITLE

1. Someone who possesses all ownership interests in real property owns
 - a. equitable title to the real property.
 - b. legal title to the real property.
 - b. equitable and legal title to the real property.
 - c. statutory title to the real property.
2. The question of who owns title to a property is generally a function of
 - a. who has a bill of sale for the property.
 - b. who has physical possession of the property.
 - c. who has the best evidence of ownership.
 - d. who has a deed for the property.
3. Which of the following best describes actual notice?
 - a. It is notice published in a newspaper.
 - b. It is knowledge one could have or should have obtained.
 - c. It is notice explicitly stated in a legal document.
 - d. It is knowledge received or imparted through direct experience.
4. Which of the following best describes constructive notice?
 - a. It is notice published in a newspaper.
 - b. It is knowledge one could have or should have obtained.
 - c. It is notice explicitly stated in a legal document.
 - d. It is knowledge received or imparted through direct experience.
5. Title can be voluntarily transferred by
 - a. grant, deed, and will.
 - b. escheat, deed, and covenant.
 - c. title certificate, will, and deed.
 - d. sale contract, deed, and warrant of seizin.
6. The owner of a property creates a deed, leaving the name of the grantee blank, and puts it in a drawer, where it is forgotten for several years. One day, a visitor finds the deed, fills in his name as grantee, and attempts to record it. However, the owner will probably have no trouble disputing the validity of the deed because
 - a. the grantee was not competent at the time of delivery.
 - b. there was no intent to deliver it, and no consideration was given.
 - c. the grantee did not sign it at the time of execution.
 - d. it was not accompanied by a transfer certificate.
7. What is the function of recording a deed?
 - a. It makes the deed valid.
 - b. It causes title to pass.
 - c. It gives constructive notice of ownership.
 - d. It removes all prior recorded encumbrances.

8. The only clause that is actually required in a deed is the
- habendum clause.
 - granting clause.
 - reserving clause.
 - tenendum clause.
9. The type of deed that offers the grantee the fullest protection against claims to the title is the
- general warranty deed.
 - special warranty deed.
 - quitclaim deed.
 - bargain and defend deed.
10. Why would a property owner file a quiet title suit?
- To force the grantor to defend the title against a third party claim.
 - To terminate a co-ownership estate when one co-owner is unwilling.
 - To keep the owner's name out of the title records.
 - To have an encumbrance removed if the lienholder cannot prove its validity.
11. Title to a certain real property is being held in a trust as collateral for a loan. What kind of deed will the trustee use to convey the title to the borrower when the loan terms are satisfied?
- Deed of trust.
 - Deed in trust.
 - Guardian's deed.
 - Reconveyance deed.
12. What is a documentary stamp tax?
- A transfer tax based on the price of the property being conveyed.
 - A tax a title company must pay in order to examine title records in the recorder's office.
 - A tax collected by attorneys and paid to the state when transfer documents are prepared.
 - A tax on stamps used to certify the authenticity of a conveyance.
13. The property transferred by a will is called the
- devise.
 - demise.
 - device.
 - assigns.
14. Which of the following is true of a nuncupative will?
- It is in the testator's handwriting.
 - Generally, it does not need to be signed in order to be valid.
 - It is valid for the transfer of real property, even if it is not witnessed.
 - Generally, it is not valid for the transfer of real property.

15. The court proceeding that generally settles a decedent's estate is called
- testate.
 - probate.
 - escheat.
 - distribution.
16. If an owner of real property dies without leaving a will and with no legal heirs, what will generally happen to the property?
- It will revert to the state or county by escheat.
 - It will transfer to the decedent's executor.
 - It will be divided equally among adjoining property owners.
 - It will become a public easement.
17. A municipality wants to build a water treatment facility, and requires some privately owned land to do so. What procedure enables the municipality to buy the property, even against the owner's wishes?
- Estoppel.
 - Escheat.
 - Alienation.
 - Eminent domain.
18. One of the conditions an adverse possessor must meet in order to obtain legal title to a property is
- openly possessing and claiming the property without the owner's consent.
 - occupying the property without an occupancy permit.
 - using the property intermittently and without permission over a period of years.
 - building a permanent structure on the property.
19. A buyer has signed a contract to purchase a property, but is uncertain of the condition of the title. Who is legally responsible for knowing the condition of the title?
- The County Recorder.
 - The seller's agent.
 - The buyer.
 - The mortgage lender.
20. A break in the chain of title to a property results in
- a clouded title.
 - a title plant.
 - a lien of indeterminate ownership.
 - a duplicate title.
21. A lender's title insurance policy generally protects
- the seller against liability for conveying unmarketable title.
 - the buyer against loss of equity through fraud or a disputed title.
 - the lender against the possibility that the lender's lien cannot be enforced.
 - the lender against liability for certifying that the title records have been searched.

22. A standard owner's title insurance policy generally protects
- a. the owner against loss of title in a foreclosure suit.
 - b. the owner against liabilities and losses resulting from title defects.
 - c. lienholders against loss of their collateral.
 - d. the seller against liability for conveying title with unrecorded defects.

Answers to supplemental chapter questions:

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

7 Real Estate Leases

SUPPLEMENTAL CHAPTER QUESTIONS CHAPTER 7: REAL ESTATE LEASES

1. Which of the following types of leasehold estate lacks a specific term?
 - a. Estate for years.
 - b. Estate from period-to-period.
 - c. Estate at will.
 - d. Estate at sufferance.

2. A landlord generally has the right to enter the leased premises
 - a. at any time without notice.
 - b. for specified reasonable purposes.
 - c. only at the time rent is due.
 - d. only thirty days prior to lease expiration.

3. Among a tenant's primary obligations in a lease is
 - a. compliance with the rules and regulations of the building.
 - b. payment for any alterations to the leased space.
 - c. recording the lease in title records.
 - d. satisfying the municipality's requirements for an occupancy permit.

4. Among a landlord's primary obligations in a lease is
 - a. insuring the tenant against loss of personal property.
 - b. providing required building support and services.
 - c. guaranteeing that a fair rent is being charged.
 - d. insuring the property for the value of the leasehold.

5. While a one-year lease is in effect, the tenant dies of a sudden illness. In this situation,
 - a. the lease automatically terminates.
 - b. the tenant's estate has the option of canceling the contract.
 - c. the landlord can record a lien against the leased fee interest.
 - d. the tenant's estate is still obligated under the lease.

6. Three college friends rent a house together, and all three sign the lease. After a month, the friends argue and two of them move out. Which of the following is true of the rent obligation?
 - a. The remaining tenant is responsible for the full rent obligation.
 - b. The remaining tenant is responsible for one third of the rent obligation.
 - c. No one is responsible for the rent obligation. The landlord loses.
 - d. The departing tenants have no further rent obligation.

7. A tenant transfers a portion of the leasehold interest to another party. The document that accomplishes this transfer is a(n)
 - a. deed.
 - b. assignment.
 - c. sublease.
 - d. reconveyance.

8. The type of lease in which the tenant pays all of the operating expenses of the property is a(n)
- gross lease.
 - commercial lease.
 - index lease.
 - net lease.
9. The type of lease in which the landlord pays all of the operating expenses of the property is a(n)
- gross lease.
 - proprietary lease.
 - index lease.
 - net lease.
10. The type of lease in which the tenant pays rent based on income generated at the leased premises is a(n)
- commercial lease.
 - index lease.
 - percentage lease.
 - overage lease.
11. Which of the following circumstances is the most likely scenario for a ground lease?
- A PUD developer wants to acquire a necessary parcel that separates two parcels she already owns.
 - A farmer wants to expand his productive acreage without buying more land.
 - A fast food company wants to place a restaurant in an existing building without buying either land or improvement.
 - A railroad wants to build a bridge over a privately owned access road.
12. The basic feature that distinguishes a rights lease from other types of leases is
- the long lease period that is typical.
 - the reversion of all rights to the owner at the end of the lease term.
 - the assignability of the leasehold.
 - the absence of exclusive occupancy and possession from the rights leased.
13. By suing for specific performance, a leasehold tenant might
- force a landlord to provide improvements that were promised but not delivered.
 - change the obligation to pay rent as it is stated in the lease.
 - invalidate the lease.
 - cancel the lease and receive damages for the landlord's default.
14. Which of the following situations describes constructive eviction?
- A court order expels a tenant because of tenant default.
 - A tenant is forced out of the premises because the landlord has declared bankruptcy.
 - A tenant vacates the premises and declares the lease canceled because the landlord has made the premises uninhabitable.
 - A tenant changes the locks overnight and does not allow the landlord access to the premises.

15. What is the difference between a tenant's vacating leased premises and abandoning the premises?
- Vacating the premises terminates the tenant's lease obligations.
 - Abandonment implies that the tenant shows no intention of fulfilling the lease obligations.
 - Vacating the premises terminates the landlord's lease obligations.
 - Vacating the premises is automatically a tenant default.
16. A periodic leasehold or a tenancy at will can usually be terminated by
- either party giving proper notice.
 - either party without notice.
 - a sublease, with the lessor's approval.
 - an assignment by the lessor.
17. Under the Uniform Residential Landlord and Tenant Act, if a lease does not state a clear expiration date, the lease is regarded as
- invalid.
 - a tenancy from period-to-period.
 - a tenancy at will.
 - a tenancy for years.
18. If a tenant is seeking a remedy for an alleged landlord default and the landlord disputes the claim, the Uniform Residential Landlord and Tenant Act allows the tenant to
- terminate the lease.
 - abate the rental payments while the dispute is settled.
 - make the rental payments to a court impound pending resolution.
 - deny the landlord access to the premises.
19. The Uniform Residential Landlord and Tenant Act generally does not apply to
- a residence that is under a contract for deed.
 - a single-family residence.
 - a unit in an apartment building that has fewer than ten units.
 - a duplex in which the owner occupies one of the units.

Answers to supplemental chapter questions:

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

8 Land Use Planning and Control

SUPPLEMENTAL CHAPTER QUESTIONS CHAPTER 8: LAND USE PLANNING & CONTROL

1. In the implementation of land use controls, why should a community be concerned about the effects on individual property values?
 - a. Preservation of property values is the sole purpose of public land use control.
 - b. Sudden increases in property values place a burden on municipal services.
 - c. In most communities, taxes based on property values support needed government services.
 - d. If property is controlled, values will decline.

2. What is the relationship between master planning and zoning ordinances?
 - a. The compilation of zoning ordinances is the master plan.
 - b. A master plan eliminates the need for zoning ordinances.
 - c. Master planning is a state-level function; zoning is limited to the county level.
 - d. Zoning ordinances are a primary means of keeping land use in line with the master plan.

3. One of the major considerations in planning where to allow growth is
 - a. the number of developers asking for permits.
 - b. the effect of development on traffic patterns.
 - c. the median age of the community.
 - d. the number of housing starts reported for neighboring communities.

4. The basic intent of zoning ordinances is to
 - a. establish the basis for public ownership of land for the common good.
 - b. establish subdivision rules and regulations.
 - c. specify usage for every parcel within the zoning authority's jurisdiction.
 - d. restrict development in unincorporated areas.

5. Why do zoning authorities create different types of zones?
 - a. To ensure that a variety of construction types is available in the community.
 - b. To separate different types of uses so that they do not interfere with each other.
 - c. To preserve low density land uses.
 - d. To encourage industrial and commercial users to relocate.

6. What is a "buffer zone?"
 - a. A transitional zone between a residential zone and a commercial zone.
 - b. An area zoned as a public park.
 - c. A temporary zone created to allow users to come into compliance with a change in zoning.
 - d. A zone around the boundaries of a municipality.

7. What is meant by "intensity of usage?"
 - a. The number of building lots per acre.
 - b. The number of people per square mile.
 - c. The number of building permits issued per year within a zoning jurisdiction.
 - d. The area of a commercial or industrial facility in relation to the size of the site.

8. How does Planned Unit Development zoning differ from ordinary zoning?
- It applies only to industrial and office parks.
 - It incorporates a number of different zones within a single property boundary.
 - It requires that multiple tracts of land be developed according to a single design for efficient use of space.
 - It requires developers to obtain a separate building permit for every structure.
9. Which of the following situations is most likely to represent an illegal nonconforming use?
- A homeowner in a residential zone converts her residence to rental offices.
 - A homeowner builds an attached garage in a neighborhood where all the garages are detached.
 - A storeowner remodels a storefront in accordance with regulations, and then the zoning is changed to residential.
 - A new zoning ordinance outlaws two-story additions after a homeowner completes an addition.
10. What is the difference between a variance and a nonconforming use?
- A variance, once granted, is unconditional and permanent.
 - A variance is granted by the zoning board if the owner has a justifiable reason.
 - A nonconforming use is allowed if the owner requests it in advance of building.
 - A nonconforming use violates current zoning, but a variance does not.
11. To obtain a change of the zoning for a particular property, for example, from residential to commercial, a property owner would ask the zoning board for a(n)
- amendment.
 - special exception.
 - plat approval.
 - special ordinance.
12. As evidence that building inspectors have found that a structure complies with building codes and is ready for use, the municipality or county issues a(n)
- inspection report.
 - release bond.
 - certificate of occupancy.
 - user permit.
13. Which of the following is true of a successful eminent domain proceeding?
- It cancels the property owner's mortgage loan balance.
 - It leaves the property owner with equitable title in place of legal title.
 - It extinguishes leases, liens, and other encumbrances on the property taken.
 - It eliminates the "chain of title" by canceling the original grant.
14. Among other provisions, the Superfund Act (CERCLA) and Superfund Amendment and Reauthorization Act of 1986 provided that
- large development projects undergo an environmental impact survey immediately after completion of construction.
 - industrial users of real estate comply with air quality standards.
 - the EPA would give financial help to homeowners to remedy any hazardous situation resulting from radon, asbestos, or lead-based paint.
 - parties responsible for improper disposal of hazardous waste could be charged for the cleanup costs.

15. A property owner acquired a property by means of a deed that included a deed restriction against building any kind of unattached structures on the property. The owner now wants to build a small office/art studio in a separate structure. What can the owner do to overcome the restriction?
- a. Apply to the Zoning Board of Appeals for a special permit.
 - b. Have the necessary parties execute a quitclaim deed.
 - c. Sue in court to have the deed declared invalid.
 - d. Obtain written permission to violate the restriction from the original grantor.

Answers to supplemental chapter questions:

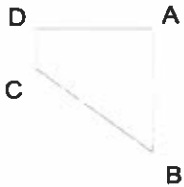
- | | | |
|------|-------|-------|
| 1. c | 6. a | 11. a |
| 2. d | 7. d | 12. c |
| 3. b | 8. c | 13. c |
| 4. c | 9. a | 14. d |
| 5. b | 10. b | 15. b |

9 Legal Descriptions

SUPPLEMENTAL CHAPTER QUESTIONS CHAPTER 9: LEGAL DESCRIPTIONS

1. A legal description of a property is one which
 - a. accurately locates and identifies the boundaries of the property and distinguishes it from all other properties.
 - b. accurately identifies the boundaries of the property and describes the location and dimensions of any improvements on the property.
 - c. is accepted by a licensed surveyor as suitable for inclusion in a survey of the property.
 - d. written by an attorney licensed to practice real estate law in the state in which the property is located.
2. What method of legal description was the first one used in America?
 - a. Rectangular survey system.
 - b. Metes and bounds system.
 - c. Recorded plat system.
 - d. Range and tier system.

3. A certain property has the following general features:



Which of the following statements would provide a (partial) metes and bounds description of the property?

- a. Commencing at A, thence south 0 degrees east to B, thence north 45 degrees west to C, thence north 0 degrees west to D, thence north 90 degrees east to the point of beginning.
 - b. Commencing at A, thence 90 degrees south to B, thence west 45 degrees north to C, then east to the point of beginning.
 - c. Commencing at A, thence south 90 degrees west to B, thence north 45 degrees west to C, thence north 0 degrees east to D, thence 90 degrees east to the point of beginning.
 - d. Commencing at A, thence south 0 degrees east to B, thence west 45 degrees north to C, thence north 0 degrees east to D, thence east 0 degrees north to the point of beginning.
4. The fundamental components of the metes and bounds system are
 - a. parallels, base lines, and meridians.
 - b. boundaries, distances, and a base line.
 - c. reference points, angles, and distances.
 - d. lot numbers, sections, and ranges.

5. A legal description in the rectangular survey system will also include a metes and bounds or lot and block description if the property
 - a. falls within two townships.
 - b. is more than six miles from a standard parallel.
 - c. has been surveyed since 1790.
 - d. is irregular in shape.

6. Which of the following best describes a meridian?
 - a. An east-west line that corresponds to a latitude on a rectangular survey grid.
 - b. An east-west latitudinal line 6 miles in length used to describe a township's north or south border.
 - c. A north-south longitudinal line on a rectangular survey grid.
 - d. A north-south longitudinal line 6 miles in length used to describe a township's east or west border.

7. What is the purpose of a principal meridian and base parallel?
 - a. Used to divide townships into sections.
 - b. Identifying townships in the jurisdiction.
 - c. To establish the distance between all meridians and parallels.
 - d. To differentiate a tier from a range.

8. How far apart are parallels?
 - a. Six miles.
 - b. One mile.
 - c. Twenty-four miles.
 - d. Thirty-six miles.

9. Which of the following is true?
 - a. A township is the area enclosed by principal meridians and base parallels.
 - b. A township's sections are six miles apart.
 - c. There are 36 townships in a section.
 - d. There are 36 sections in a township.

10. A range is defined by
 - a. two consecutive parallels.
 - b. two consecutive meridians.
 - c. the distance between a principal meridian and a base parallel.
 - d. a parallel and a meridian.

11. A tier is defined by
 - a. two consecutive township strips.
 - b. two consecutive meridians.
 - c. two consecutive parallels.
 - d. a parallel and a meridian.

12. What are the dimensions of a township?
 - a. One mile square.
 - b. Six miles square.
 - c. Thirty-six miles square.
 - d. The north and south boundaries are one mile apart; the east and west boundaries are indeterminate.

13. Sections of a township are numbered in which of the following directions?
- From the northeast corner toward the west and on to the southeast corner, alternating direction in each row.
 - From the northwest corner toward the east and on to the southwest corner, alternating direction in each row.
 - North to south from left to right in each row, starting in the northwest corner.
 - Clockwise in a spiral beginning in the northeast corner.
14. What portion of a section is ten acres?
- 1/8.
 - 1/16.
 - 1/32.
 - 1/64.
15. A tract of land is 1/32nd of a section. How many acres does this tract consist of?
- 10 acres.
 - 20 acres.
 - 40 acres.
 - 80 acres.
16. The lot and block system of description is used for
- rural properties.
 - any property in an incorporated area.
 - rectangular properties.
 - properties in a subdivision.

Answers to supplemental chapter questions:

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

10 Real Estate Contract Law

SUPPLEMENTAL CHAPTER QUESTIONS CHAPTER 10: REAL ESTATE CONTRACT LAW

1. The valuable consideration necessary to make a contract valid must be
 - a. money.
 - b. something tangible.
 - c. something specifically offered in exchange for something else.
 - d. something of equal value with whatever is received in exchange.
2. The necessary condition of mutual consent may be found lacking in a contract if
 - a. the two parties did not discuss every possible interpretation of the contract's provisions.
 - b. the offer which was accepted is vague.
 - c. one party did not have the legal authority to sign the contract.
 - d. the agreement is unwritten.
3. A contract that conveys an interest in real estate **must**
 - a. contain a legal description of the property.
 - b. be written on a form approved by the state bar association..
 - c. be either nuncupative or holographic.
 - d. be recorded within three days to be enforceable.
4. A party sells a summer cottage appraised at \$100,000 to a stranger for \$50,000. The seller's family wants to challenge the validity of the sale contract. The most apparent weakness of the contract that they might be able to attack is the
 - a. illegality of the contract's intent.
 - b. insufficiency of the consideration exchanged for the property.
 - c. lack of consent on the part of the seller's family.
 - d. lack of good faith on the part of the buyer.
5. An oral contract to sell mineral rights is performed by both parties. Six months later, the seller has second thoughts and wants to reclaim the rights under the Statute of Frauds. What is the likelihood that the seller will succeed?
 - a. Nil, because the Statute of Frauds is irrelevant to a contract that has been performed.
 - b. Good, because an oral contract to convey a real estate interest is unenforceable under the Statute of Frauds.
 - c. Good, because the contract is voidable.
 - d. Nil, because the buyer committed no fraud.
6. How much time does a seller have to accept a buyer's offer?
 - a. Forty-eight hours from the time of the offeror's signing of the offer.
 - b. Twenty-four hours from the time of the offer's delivery to the seller.
 - c. As long as the seller wants.
 - d. A "reasonable" time, or until the expiration date on the offer.

7. A buyer submits an offer to a seller and then dies in a car accident. Before learning of the buyer's death, the seller accepts the offer. Which of the following is true?
- The seller can force the buyer's estate to go through with the purchase.
 - The buyer's death terminated the offer.
 - The seller must make a new offer with the same terms to the buyer's heirs.
 - The buyer's heirs have the option of enforcing the contract.
8. Which of the following contracts can be assigned to another party?
- An exclusive listing agreement.
 - An exclusive agency agreement.
 - A contract for the sale of a house.
 - An employment contract between a broker and a salesperson.
9. An implied contract may be deemed to exist if
- the parties do not disavow an express contract that has expired.
 - the parties act as if there is a contract.
 - an offering party does not receive written notice that the offer has been rejected.
 - the parties promise to perform their part of the agreement if the other party performs.
10. Which of the following is an executory contract?
- An expired lease.
 - A sale contract before closing.
 - A recorded sale contract.
 - An option to buy after it is exercised.
11. A bilateral contract is one in which
- both parties promise to do something in exchange for the other party's performance.
 - both parties receive equal consideration.
 - both parties agree to perform a service.
 - one party promises to do something if the other party performs first.
12. A homeseller signs a listing agreement with a broker and the next week decides not to sell and revokes the listing. Which of the following is true?
- The seller has no contractual obligations to the broker.
 - The contract remains in full force until the expiration date.
 - The broker may have a claim for damages.
 - The seller cannot sign a listing agreement with another broker.
13. A breach of contract is
- a termination of the contract by the mutual consent of the parties.
 - financial damage suffered by a party because another party has nullified a contract provision.
 - a lawsuit to force a party to discharge the contract.
 - the failure of a party to perform according to the terms of the contract.

14. What is rescission?

- a. The act of withdrawing an offer before it has been accepted.
- b. The act of nullifying a contract.
- c. The act of declaring a contract unenforceable.
- d. The act of modifying the terms of an offer.

15. In a suit for damages by reason of default, the damaged party may claim liquidated damages if

- a. the contract stated a specific amount due to a damaged party.
- b. the contract stated that a defaulting party could not profit from the contract.
- c. the defaulting party owns property that can be foreclosed to pay the damages.
- d. the contract stated that a damaged party could take legal action to enforce the contract.

Answers to supplemental questions:

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

11 Agency

SUPPLEMENTAL CHAPTER QUESTIONS CHAPTER 11: AGENCY

1. The agency relationship is defined by
 - a. the Realtor® Code of Ethics.
 - b. the laws of agency.
 - c. the law of real estate contracts.
 - d. the agreement between a principal and an agent.
2. Which of the following is true of the connection between compensation and the agency relationship?
 - a. An agreement to give and receive compensation creates an agency relationship.
 - b. If an agency relationship exists, the principal must provide valuable consideration to the agent.
 - c. The relationship is independent of any compensation arrangement.
 - d. If an agency relationship exists, the agent is entitled to compensation.
3. The defining feature of a special agency is that the agent has authority to perform
 - a. all actions legally delegated by a power of attorney.
 - b. all actions necessary to conduct an enterprise on behalf of the principal.
 - c. all actions necessary to complete a specific transaction on behalf of the principal.
 - d. specific activities on behalf of the principal, as defined in the agency agreement.
4. The agent and principal may terminate the agency relationship by mutual consent
 - a. at any time.
 - b. at any time until the agent has begun to perform the obligations of the agreement.
 - c. only if the written agreement provides for cancellation.
 - d. only if the principal and agent have a contract.
5. If an agency relationship terminates because one of the parties defaulted, which of the following is true?
 - a. All obligations are extinguished.
 - b. Both parties must continue to perform all obligations of the agreement.
 - c. The defaulting party may have a financial liability.
 - d. The damaged party has no claim against the defaulting party.
6. Among the fiduciary duties imposed on a real estate agent is the requirement to
 - a. refuse offers the agent knows will be unacceptable to the principal.
 - b. present all offers to the principal.
 - c. advise the principal against accepting an offer that is below full price.
 - d. advise a prospect that the principal will not accept the prospect's offer in order to elicit a better offer.
7. One of the agent's fiduciary duties that continues even after a listing agreement expires is
 - a. obedience.
 - b. diligence.
 - c. confidentiality.
 - d. disclosure.

8. The level of competence that a principal has the right to expect from an agent is generally that which is
 - a. specified in the agency agreement.
 - b. necessary to earn the promised compensation.
 - c. necessary to procure a customer.
 - d. comparable to that of other practitioners in the area.

9. If a potential buyer discloses financial qualifications to a seller's agent, the agent is required to
 - a. keep the information in confidence.
 - b. disclose the information to the buyer's agent.
 - c. disclose the information to the seller.
 - d. verify the buyer's statements before disclosing them to the client.

10. A buyer's broker owes the full set of fiduciary duties to
 - a. the buyer.
 - b. the seller.
 - c. the party who will pay the commission.
 - d. the seller's agent.

11. A subagent is technically the agent of
 - a. the seller.
 - b. the buyer.
 - c. a broker who has an agency relationship with a client.
 - d. the client's and the customer's agents.

12. Which of the following is a dual agency situation?
 - a. Two agents share the exclusive right to represent the same client.
 - b. One agent represents both sides in a transaction.
 - c. A selling agent from one brokerage works with a listing agent from another brokerage to complete a transaction.
 - d. One agent represents two sellers at the same time.

13. Which of the following situations has the potential for creating an implied dual agency?
 - a. A listing agent's subagent learns that a potential buyer has made false claims about his financial qualifications and informs the listing agent.
 - b. A listing agent's subagent learns that a potential buyer has made false claims about his financial qualifications and does not inform the listing agent.
 - c. A buyer's agent notices a structural problem in a house the buyer is considering and informs the buyer.
 - d. A buyer's agent notices a structural problem in an house the buyer is considering and informs the buyer and the seller's agent.

14. Among the duties of a broker who is acting as a transaction broker, or facilitator, is
 - a. preserving the confidentiality of information received from either party by not telling the other party.
 - b. helping the two parties to arrive at a deal that is closest to achieving the objectives of each party.
 - c. disclosing material facts that affect the value of the property to both parties.
 - d. choosing to obey the instructions of one party and informing the other party of the decision.

15. In which of the following contact situations would a seller's agent be expected to disclose his agency relationships?
- a. The agent is showing the client's property to a prospective buyer.
 - b. The agent tells an acquaintance at a party about the client's property.
 - c. The agent answers questions about the client's property for a telephone caller responding to a newspaper ad.
 - d. The agent is showing a potential buyer houses in a certain price range in the multiple listing book.

Answers to supplemental chapter questions:

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

12 Listing Agreements

SUPPLEMENTAL CHAPTER QUESTIONS

CHAPTER 12: LISTING AGREEMENTS

1. In addition to creating contractual obligations, a listing agreement creates
 - a. an agency relationship with fiduciary obligations.
 - b. a general partnership with financial obligations.
 - c. a joint venture.
 - d. a temporary business entity subject to corporation regulations.

2. The scope of authority granted by a listing agreement generally allows the agent to
 - a. create contractual obligations for the client.
 - b. negotiate the selling price between client and customer.
 - c. hire inspectors, architects, and other individuals to prepare the property for marketing.
 - d. advertise and show the property.

3. Even if legally valid, oral listings are generally not advisable for an agent because
 - a. they do not specify a commission.
 - b. they are not recognized by cooperating brokers.
 - c. they can be difficult to enforce if disputed.
 - d. they have no expiration date.

4. A salesperson, without an oral or written listing agreement, brings potential buyers to the seller. The seller says, "You can bring me buyers if you want, but I'm not paying you a commission." The salesperson then continues to direct buyers to the property. Which of the following is true about this situation?
 - a. There is no agency relationship, and therefore the seller will owe no commission if one of the salesperson's buyers buys the property.
 - b. An implied agency may have been created, with obligations to perform for both seller and agent.
 - c. The seller and agent have an illegal, undisclosed agency relationship.
 - d. The agent has an open listing with no commission agreement, and therefore no fiduciary duties to the seller.

5. An agent signs a listing agreement with a home seller, but then becomes too busy to fulfill the agreement. To alleviate the problem, the agent assigns the agreement to a competing broker. Which of the following is true about this situation?
 - a. The agent cannot assign the listing agreement.
 - b. The new broker acquires the full set of fiduciary duties to the client.
 - c. The new broker has to split any commission that results with the assigning broker.
 - d. The original broker has to disclose the assignment to the seller.

6. From an agent's point of view, the most desirable form of listing agreement is a(n)
 - a. exclusive agency.
 - b. exclusive right to sell.
 - c. open.
 - d. net.

7. What kind of listing agreement is a buyer representation agreement?
- An implied listing.
 - An informal open listing.
 - An exclusive listing with a disclosed dual agency.
 - An exclusive, exclusive agency, or open listing.
8. What is a multiple listing?
- A listing shared by a listing agent and a selling agent.
 - A listing that a listing agent delegates to a subagent.
 - A listing that is entered in a multiple listing service to enable cooperation with member brokers.
 - A listing that authorizes a listing agent to market more than one property for a seller.
9. Which of the following conditions is necessary for a customer to qualify as "ready, willing, and able?"
- The customer's offer must be accepted.
 - The customer must be legally capable of completing the transaction.
 - The customer must have a commitment from a lender.
 - The customer must have no business relationship with the agent.
10. Although a listing broker may delegate marketing responsibilities to a salesperson, the broker may not delegate the authority to
- obtain and distribute compensation.
 - provide cooperating brokers with information about the property.
 - advertise the property.
 - inspect the property for hazardous substances.
11. One of the principal determinants of "procuring cause" in a completed transaction is
- having a written listing agreement.
 - being a member of the multiple listing service that listed the property.
 - being first to find the customer.
 - having a cooperative commission agreement with the seller.
12. If an agent has an exclusive listing to sell a property, and the property is then taken by eminent domain, what is the status of the listing?
- The seller's obligations under the listing are assigned to the agency that takes the property.
 - It becomes a voidable contract.
 - The commission clause of the agreement is canceled.
 - It may be terminated against the agent's will.
13. A broker obtains an exclusive listing to sell a house but after a month abandons the listing because the seller is "too much trouble." What can the seller do in this situation?
- Nothing.
 - Sue the broker for money damages.
 - Sign a listing agreement with another broker and force the first broker to pay the commission.
 - Force the broker to perform the contract without compensation.
14. What is a "listing price?"
- The seller's gross asking price as stated in the listing.
 - The price that is actually achieved in a transaction.
 - The price that must be obtained for the listing agent to earn a commission.
 - The lowest price that is acceptable to the seller.

15. A married couple who own a house as tenants by the entireties want to give a broker the exclusive authorization to sell the house. Who must sign the listing agreement to make a valid contract?
- a. Either owner.
 - b. Both owners and all mortgage lien holders.
 - c. Both owners and the broker.
 - d. Either owner and the broker.

Answers to supplemental chapter questions:

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

13 The Brokerage Business

SUPPLEMENTAL CHAPTER QUESTIONS CHAPTER 13: THE BROKERAGE BUSINESS

1. Which of the following business entities is generally prohibited from brokering real estate?
 - a. Sole proprietorship.
 - b. Partnership.
 - c. Corporation for profit.
 - d. Non-profit corporation.

2. A joint venture may generally broker real estate if the co-venturers
 - a. form a business trust.
 - b. form a co-operative association.
 - c. are properly licensed.
 - d. are limited partners.

3. What is an independent brokerage?
 - a. A brokerage that is not affiliated with a franchisor.
 - b. A brokerage that does not belong to a multiple listing service.
 - c. A brokerage that trades only for its own account.
 - d. A brokerage that is organized as a sole proprietorship.

4. A licensed salesperson may work only for
 - a. a client who has signed a listing agreement with a licensed broker.
 - b. a single employing broker who has an active broker's license.
 - c. a client who has signed an authorization agreement with a licensed salesperson.
 - d. an employer who has an active or inactive broker's license.

5. Which of the following activities is a licensed salesperson allowed to conduct?
 - a. Accept a listing that is in the salesperson's name.
 - b. Accept a fee directly from a client.
 - c. Offer a property for sale on behalf of the employing broker.
 - d. Sign a contract with a management company on behalf of a client.

6. If a salesperson works for a broker as an independent contractor, who pays for the salesperson's business expenses?
 - a. Expenses are paid according to the terms of the agreement between broker and salesperson.
 - b. The salesperson must pay all expenses.
 - c. The employing broker must pay all expenses.
 - d. The salesperson must pay all expenses that are incurred outside the brokerage office.

7. A salesperson's primary obligation to an employing broker is to
 - a. conform to the broker's office policies and marketing philosophy.
 - b. fulfill the fiduciary duties owed to the broker and the broker's clients.
 - c. work every day that is a business day for the brokerage.
 - d. earn sufficient revenue to keep the brokerage solvent.

8. If a salesperson has worked on a completed transaction that involved a listing agent, a selling agent, and several subagents for each of these, from whom will the salesperson receive any compensation that is due?
- The listing agent.
 - The selling agent.
 - The seller.
 - The employing broker.
9. A property has sold for \$127,000. The listing agreement calls for a commission of 7%. The listing broker and selling broker agree to share the commission equally. What will the listing agent receive if the agent is scheduled to get a 40% share?
- \$4,445.
 - \$3,556.
 - \$2,667.
 - \$1,778.
10. A real estate salesperson brings a buyer to a "For Sale By Owner" transaction. The home sells for \$245,000, and the seller agrees to pay a commission of 3%. The salesperson is on a 65% commission schedule with her broker, who pays her 65% minus office expenses of \$500. How much will the salesperson receive from this transaction?
- \$4,778.
 - \$4,452.
 - \$4,278.
 - \$3,175.
11. Obtaining exclusive listings for the broker is traditionally one of the salesperson's most fundamental tasks because
- a commission is assured if a buyer is procured.
 - it is the broker's only source of income.
 - it is the easiest task for the salesperson to perform.
 - it is the only task that a salesperson is licensed to perform.
12. A salesperson makes a listing presentation to a homeseller and obtains a signed listing agreement. The first thing the salesperson must now do is
- determine the optimal selling price for the property.
 - submit the listing to the multiple listing service.
 - submit the listing to the broker for approval and signing.
 - place the company "For Sale" sign on the property.
13. A salesperson working with a customer shows a property that is listed by a brokerage firm other than the salesperson's and obtains an offer that is \$10,000 less than the listing price. What must the salesperson do about this offer?
- Advise the buyer that the offer is too low.
 - Present the offer to the seller at the earliest possible moment.
 - Ask the listing broker for permission to lower the listing price.
 - Refuse the offer.
14. During the pre-closing period of a sale contract, what is the listing broker's primary responsibility?
- Assist the buyer to obtain financing.
 - Assist the seller to clear the title.
 - Hire inspectors and contractors to comply with contract contingencies.
 - Handle deposited funds according to law.

15. A broker receives an earnest money deposit from a buyer and signs the check over to the listing agent as a commission advance. What is wrong with this procedure?
- Nothing, provided the deposit does not exceed the total commission to which the broker is entitled.
 - The broker and the agent are guilty of collusion.
 - The broker has illegally converted the deposit for business use.
 - The agent will have to return the advance if the transaction falls through.
16. Under what circumstance may a property listed for sale with a brokerage be advertised without identifying the broker?
- When the salesperson is an independent contractor.
 - When the seller instructs the broker to do so.
 - When the listing is an exclusive authorization to sell.
 - Never.
17. The practice of competing brokers in a local market agreeing on a standard commission rate is a violation of
- fair trade and anti-trust laws.
 - the law of agency.
 - contract law.
 - the Uniform Commercial Code.
18. To engage in business brokerage, a broker generally must hold a real estate license because
- only real estate licensees understand the requirements of a business sale transaction.
 - a business sale usually involves a transfer of a real property interest.
 - a business entity is considered a type of tangible property.
 - a business cannot operate as its own real estate broker.

Answers to supplemental chapter questions:

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

14 Contracts for the Sale of Real Estate

SUPPLEMENTAL CHAPTER QUESTIONS CHAPTER 14: CONTRACTS FOR THE SALE OF REAL ESTATE

1. A real estate sale contract is an executory contract until
 - a. the completed sale transaction is recorded.
 - b. the buyer and seller have agreed to all provisions and have signed the contract.
 - c. all the obligations and promises are performed and the transaction is closed.
 - d. the buyer's earnest money deposit and down payment have been delivered to and accepted by the seller.
2. If a married couple own a property that is for sale, and only one of them signs a sale contract, what is the legal status of the contract?
 - a. The contract is invalid.
 - b. The contract is unenforceable.
 - c. The contract may be valid.
 - d. The contract is executed.
3. In assisting a buyer or seller to complete an offer to purchase, what should an agent do to reduce the risk of committing an unauthorized practice of law?
 - a. Use a standard contract promulgated by a state agency or a real estate board.
 - b. Charge no more than a nominal fee for the assistance.
 - c. Offer legal advice only on points of the contract that the agent is absolutely certain about.
 - d. Write contract terms that are manifestly fair to both buyer and seller.
4. To be enforceable, a contract for the sale of real estate must
 - a. contain clearly defined contingencies.
 - b. be written.
 - c. be recorded.
 - d. have an expiration date.
5. A buyer makes an offer to purchase a house, and the seller accepts the offer. Both parties sign the sale contract, but the buyer fails to provide an earnest money deposit. What are the seller's obligations to the buyer?
 - a. None. There is no valid contract.
 - b. The seller must give the buyer an opportunity to make a new offer.
 - c. The seller must perform under the terms of the contract
 - d. The seller must notify the buyer in writing that the buyer is in default.
6. Which of the following is an essential element of a valid contract for the sale of real estate?
 - a. Price based on certified appraisal.
 - b. Signature of the listing broker.
 - c. Offer and acceptance.
 - d. Social Security numbers of seller and buyer.
7. What kind of interest does the buyer own after a real estate sale contract is signed by the principal parties?
 - a. Legal title.
 - b. Lienholder interest.
 - c. Remainder interest.
 - d. Equitable title.

8. A contingency in a sale contract is
- a promise by buyer or seller to perform a specific action.
 - a condition that, if unmet, renders the contract unenforceable.
 - one of several alternative actions that buyer or seller may take to satisfy contract requirements.
 - an optional, unilateral action that either party may take at the request of the other party.
9. A "termite" clause in a sale contract states that the seller must provide suitable evidence that the property is free of infestation. On the day of closing, the buyer learns that the inspection service hired by the seller was not properly licensed. The seller expresses surprise, promises to pay for another inspection and/or extermination, and insists on proceeding with the closing. The buyer refuses, and declares that the sale is off. Which of the following is true of this situation?
- The seller is in default and is liable for damages.
 - The buyer will be in default, and liable for damages, if he does not complete the transaction.
 - The buyer may be able to have the contract canceled.
 - The contract is automatically void.
10. A buyer signs an earnest money agreement and gives it to the broker who showed her the property she is buying. After leaving the broker's office, she reconsiders and decides she prefers a different property. How long does she have to take back her offer?
- Until the seller communicates acceptance of the offer.
 - Twenty-four hours.
 - She can take it back at any time, but must forfeit the earnest money.
 - She cannot take it back until after the expiration date of the offer.
11. On Wednesday, Fred offers to sell his property to Jack for \$275,000, with the offer to remain open until 5 p.m. the next day. On Thursday morning, Sally offers Fred \$280,000 for the property and Fred accepts. At 1 p.m. on Thursday afternoon, Jack accepts. Which of the following is true of this situation?
- The acceptance by Sally creates a contract and terminates Fred's offer to Jack.
 - Fred has entered into contracts with both Jack and Sally to sell the same property.
 - Fred's acceptance of Sally's offer is invalidated by Jack's acceptance, because Fred's offer to Jack was made prior to Sally's offer to Fred.
 - No contract has been created because it is impossible to have two valid sale contracts for the same property.
12. What parties must be identified in a sale contract?
- Only a seller.
 - Seller and buyer.
 - Seller, buyer, and agent(s).
 - Seller, buyer, and title company.
13. Among the items that usually must be disclosed in a sale contract or its addenda are
- buyer's and seller's citizenship status.
 - buyer's source of funds for the down payment.
 - certification for occupancy.
 - agency relationships and property condition.
14. To create an enforceable option-to-buy contract, there must be an exchange of
- a promise to sell and a promise to buy.
 - valuable consideration and a right to buy.
 - valuable consideration and a promise to buy.
 - a down payment and a post-dated contract for sale.

15. Mary Carboy buys a house from Jim Schmidt and at the same time obtains an option to purchase the adjoining vacant lot for \$10,000 within one year. A few months later, Carboy informs Schmidt that she is ready to exercise her option, but finds that Schmidt has received an offer of \$12,000 from another party. Schmidt states that he will accept the offer unless Carboy is willing to match the \$12,000 offer. Which of the following is true of this situation?
- Schmidt must sell to Carboy for \$10,000.
 - Carboy must pay \$12,000 or lose the property.
 - Schmidt may sell to Carboy or the other party, but the price cannot exceed \$10,000.
 - If the other party delivers payment before Carboy does, the option is canceled.
16. An option-to-buy is
- not assignable unless the contracts specifically allows assignment.
 - never assignable.
 - assignable, with seller permission.
 - assignable unless the contract prohibits assignment.
17. Which of the following is true of a contract for deed transaction?
- At the end of the contract period, the vendee receives equitable title, provided all required periodic payments have been made.
 - The vendee has no right to possess or occupy the property during the contract period.
 - At the end of the contract period, the vendor conveys legal title, provided the vendee has fulfilled all obligations.
 - The vendor may cancel the contract at any time before the final payment has been received.

Answers to supplemental chapter questions:

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

15 Real Estate Market Economics

SUPPLEMENTAL CHAPTER QUESTIONS CHAPTER 15: REAL ESTATE MARKET ECONOMICS

1. Which of the following statements best describes the relationship between price and value in the market system?
 - a. Value is based on the interaction of underlying economic factors; price is a quantification of value in a transaction.
 - b. Value and price are identical at any given moment.
 - c. Value by definition is the price one paid for an item, adjusted for time and costs paid in addition to price.
 - d. Value is an estimate of the cost of an item; price is an estimate of what one will pay for the item.
2. If the price of an item is increasing, one can usually assume that
 - a. demand for the item is decreasing in relation to supply of the item.
 - b. demand for the item is increasing in relation to supply of the item.
 - c. supply of the item is increasing.
 - d. demand for the item and supply of the item are increasing.
3. Which of the following conditions would be true if the market for an item has achieved "market equilibrium?"
 - a. New suppliers will enter the market and drive the price down.
 - b. Demand will slowly taper off, driving the price down.
 - c. Unmet demand for the item is directed toward demand for some other item.
 - d. Supply and demand are equal, and price and value are equal.
4. One of the economic characteristics that distinguishes real estate is
 - a. its homogeneity.
 - b. its variety.
 - c. the uniqueness of every parcel.
 - d. its ability to appreciate in value.
5. If demand is increasing, what would be the likely effect on real estate prices in an area where the municipality has declared a moratorium on new construction?
 - a. Prices would level off.
 - b. Prices would continue to follow the trend that preceded the moratorium.
 - c. Prices would fall.
 - d. Prices would rise.
6. If a new company that sells its products worldwide moves into a town and hires 100 employees, it would be reasonable to expect
 - a. an immediate rise in the demand for industrial real estate, but no other changes in the real estate market.
 - b. an increase in demand for all types of real estate.
 - c. a housing boom, but no other changes in the real estate market.
 - d. an immediate increase in the prices for industrial and office real estate, but no impact on the residential market.

7. What is "absorption?"

- a. The amount of new space that is added to available space over a period of time.
- b. The number of houses that are built over a period of time.
- c. The amount of space that is occupied at any given time.
- d. The number of available units that become occupied over a period of time.

8. During a time of declining vacancy in a real estate market, one would expect

- a. rising prices.
- b. falling prices.
- c. falling construction activity.
- d. rising absorption.

Answers to supplemental chapter questions:

- 1. a
- 2. b
- 3. d

- 4. c
- 5. d
- 6. b

- 7. d
- 8. a

16 Appraising and Estimating Market Value

SUPPLEMENTAL CHAPTER QUESTIONS CHAPTER 16: APPRAISING & ESTIMATING MARKET VALUE

1. A person paid \$150,000 for a house with the intention of renting it out for \$1,000 per month. The economic principle that led the person to pay this price based on the property's ability to generate this future income is known as
 - a. substitution.
 - b. anticipation.
 - c. supply and demand.
 - d. utility.

2. Which of the following situations illustrates the principle of contribution?
 - a. A homebuyer makes a down payment of 20% instead of the 10% the lender requires.
 - b. A homeowner adds a third bathroom to a house and thereby increases the appraised value by \$10,000.
 - c. The appraised value of a house goes up by \$20,000 over a two-year period because of the prices recently paid for other houses in the neighborhood.
 - d. Because of a decline in mortgage interest rates, a homeowner in a certain market is able to list her house at a higher price.

3. A property owner buys an adjacent parcel and combines it with the original parcel to create a property with a higher value than the total of the two separate property values. The operative principle of value in this situation is called
 - a. assemblage.
 - b. accretion.
 - c. progression.
 - d. subdivision.

4. What is the difference between the appraised value of a property and its mortgage value, if any?
 - a. They are the same.
 - b. The appraised value is an appraiser's estimate; mortgage value is the amount a lender will lend for the purchase of the property.
 - c. The appraised value is an appraiser's estimate; mortgage value is the value a lender imputes to the property as collateral.
 - d. Appraised value is mortgage value multiplied by a lender's loan-to-value ratio.

5. What is the difference between market value and market price, if any?
 - a. They are the same.
 - b. Market value is an estimate; market price is the price at which a property is offered.
 - c. Market value is an average price derived from comparable sales; market price is a price based on the cost of creating the property.
 - d. Market value is an estimate; market price is the price at which a property sold.

6. An appraisal is
 - a. a professional appraiser's opinion of value, supported by data and following approved methods.
 - b. a professional appraiser's estimate of market price.
 - c. an estimate of sale price offered by a knowledgeable real estate professional.
 - d. a broker's opinion of value, based on comparison with recent comparable sales and current listings in the multiple listing service.

7. The first step in the appraisal process, regardless of the appraisal method, is to
 - a. identify the highest and best use of the property to be appraised.
 - b. collect and analyze property data.
 - c. estimate the value of the land as if it were vacant.
 - d. define the appraisal problem and the purpose of the appraisal.
8. In the final step of an appraisal, the appraiser reconciles the value estimates derived by the various appraisal approaches by
 - a. disregarding the high and low extreme results.
 - b. averaging the results of all three approaches.
 - c. weighing the applicability of the approaches and considering the quality of data supporting each approach.
 - d. choosing the result that is closest to the average for properties in the immediate neighborhood.
9. Which of the following statements properly describes the central concept of the sales comparison approach?
 - a. Find the median price of recently sold comparable properties and add or subtract dollar amounts in the subject property to account for competitive differences.
 - b. Make dollar adjustments to the sale prices of comparable properties to account for competitive differences with the subject.
 - c. Find at least three comparable properties that are currently for sale and make dollar adjustments to the listing prices to account for competitive differences with the subject.
 - d. Apply an appreciation factor to the price at which the subject property most recently sold and make dollar adjustments to account for competitive differences with comparable properties currently for sale.
10. One of the strengths of the sales comparison approach is that it
 - a. takes into account the subject property's investment value.
 - b. reveals the profit margin of the builder or developer of the subject property.
 - c. discovers the underlying value of the subject property apart from the influence of competing properties.
 - d. takes into account the competitive value of specific amenities of the subject property.
11. In making dollar adjustments in the sales comparison approach, the appraiser
 - a. adds value to a comparable that is inferior to the subject property.
 - b. adds value to the subject property if it is inferior to a comparable.
 - c. subtracts value from a comparable that is inferior to the subject property.
 - d. subtracts value from the subject property if it is inferior to a comparable.
12. The best comparable property for use in the sales comparison approach is the one that
 - a. is located closest to the subject property.
 - b. requires the fewest and smallest adjustments.
 - c. sold most recently.
 - d. was built according to the same plan as the subject and at about the same time.
13. A house is being appraised using the sales comparison approach. The house has three bedrooms, two bathrooms, and a patio. The appraiser selects a comparable house that has three bedrooms, 2.5 bathrooms, and no patio. The comparable house just sold for \$100,000. A half-bath is valued at \$5,000, and a patio at \$1,000. Assuming all else is equal, what is the adjusted value of the comparable?
 - a. \$100,000.
 - b. \$104,000.
 - c. \$96,000.
 - d. \$106,000.

14. Which of the following statements properly describes the methodology of the cost approach to appraisal?
- Apply a depreciation factor to the reported actual cost of acquiring and improving the subject property.
 - Estimate the cost of building the improvements on the subject property.
 - Estimate the land value and add to this the actual cost of the improvements adjusted for competitive differences with similar properties.
 - Add the estimated land value and cost of improvements and subtract the accrued depreciation of the improvements.
15. One of the strengths of the cost approach is that it
- takes into account the amount of money required to develop a similar property.
 - is very accurate for a property with new improvements that represent the highest and best use.
 - results in an actual price in dollars instead of an estimated value.
 - reveals the owner's return on money invested in the cost of development.
16. The principle underlying depreciation from physical deterioration is that
- eventually, a property loses all of its value.
 - a property loses a portion of its value each year because of economic obsolescence.
 - a property loses the same increment of value each year over the economic life of the property.
 - the value lost to depreciation is incurable.
17. A property is being appraised by the cost approach. The appraiser estimates that the land is worth \$10,000 and the replacement cost of the improvements is \$75,000. Total depreciation from all causes is \$7,000. What is the indicated value of the property?
- \$68,000.
 - \$92,000.
 - \$82,000.
 - \$78,000.
18. Which of the following statements properly describes how to apply the income capitalization approach to appraisal?
- Apply a desired rate of return to the price paid for an income property.
 - Divide the income a property generates by a desired rate of return.
 - Estimate the amount of income a property must generate to return the capital amount invested in it.
 - Estimate the rate of return a property owner receives from income generated by the property.
19. A strength of the income capitalization approach is that it
- uses a rate of return that is required for all potential purchasers in a market.
 - yields an accurate projection of investment income.
 - uses a method that is also used by investors to determine how much they should pay for an investment property.
 - can be used with any type of property in any market.
20. A property is being appraised using the income capitalization approach. Annually, it has an estimated gross income of \$30,000, vacancy and credit losses of \$1,500, and operating expenses of \$10,000. Using a capitalization rate of nine percent, what is the indicated value (to the nearest \$1,000)?
- \$206,000.
 - \$167,000.
 - \$222,000.
 - \$180,000.

21. An apartment building that sold for \$450,000 had monthly gross rent receipts of \$3,000. What is its monthly gross rent multiplier?
- 12.5
 - .01.
 - .08.
 - 150.
22. A rental house has monthly gross income of \$1,200. A suitable gross income multiplier derived from market data is 14.1. What estimated sale price (to the nearest \$1,000) is indicated?
- \$169,000.
 - \$102,000.
 - \$203,000.
 - \$173,000.
23. A certified appraiser is one who has received certification by
- a licensed real estate school.
 - the Appraisal Institute.
 - the state in which the appraiser operates.
 - the Appraisal Review Board.
24. The act that required federally-related appraisals to be conducted by a certified appraiser is known as
- the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA).
 - the Uniform Standards of Professional Appraisal Practice Act (USPAPA).
 - the Appraisal Foundation Authorization and Reform Act (AFAR).
 - the Federal Institution for Regulation and Enforcement of Appraisal Act (FIREAA).

Answers to supplemental chapter questions:

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

17 Real Estate Finance

SUPPLEMENTAL CHAPTER QUESTIONS CHAPTER 17: REAL ESTATE FINANCE

1. Mortgage financing is the practice of
 - a. buying and selling mortgages as an investment vehicle.
 - b. lending money to real estate investors to finance the purchase of mortgages.
 - c. using borrowed funds secured by a mortgage or trust deed to purchase real estate.
 - d. obtaining equitable title to real estate by buying promissory notes.
2. What is a lien-theory state?
 - a. A state in which a lienor holds legal title to a secured property.
 - b. A state in which a mortgage is considered to be a lien against a secured property.
 - c. A state that allows a real estate owner's creditors to record liens against the owner's property.
 - d. A state in which a lien is considered as a conveyance.
3. What is the function of a note in a mortgage or trust deed financing arrangement?
 - a. It is evidence of the lender's interest in the collateral property.
 - b. It is evidence of ownership of the mortgage or trust deed.
 - c. It contains the borrower's promise to maintain the value of the property given as collateral for a loan.
 - d. It is evidence of the borrower's debt to the lender.
4. The document that provides evidence that a certain property is pledged as collateral for a loan is the
 - a. trust deed or mortgage.
 - b. promissory note.
 - c. loan commitment.
 - d. collateral acknowledgment.
5. The borrower in a mortgage loan transaction is known as the
 - a. mortgagee.
 - b. mortgagor.
 - c. lienor.
 - d. trustee.
6. If a borrower obtains an interest-only loan of \$75,000 at an annual interest rate of 8%, what is the monthly interest payment?
 - a. \$720.
 - b. \$625.
 - c. \$42.
 - d. \$500.
7. If a borrower's monthly interest payment on an interest-only loan at an annual interest rate of 9% is \$375, how much was the loan amount?
 - a. \$40,500.
 - b. \$50,000.
 - c. \$500,000.
 - d. \$46,500.

8. A borrower of a \$95,000 interest-only loan makes annual interest payments of \$8,312.50. What interest rate is the borrower paying?
- 8.75%.
 - 7.29%.
 - .729 %.
 - 9.125%.
9. How much is a discount point?
- .1% of the loan amount.
 - 1% of the loan amount.
 - 10% of the loan amount.
 - It depends on the interest rate and the loan amount.
10. Which of the following is true of an amortizing loan?
- The amount of annual interest paid is the same for every year of the loan term.
 - Part of each periodic payment is applied to repayment of the loan balance in advance and part is applied to payment of interest in arrears.
 - Except for any points that may be paid, the interest on the loan balance is usually paid in advance.
 - The interest rate is reduced each year to maintain equal payments even though the outstanding loan balance is smaller.
11. For a loan that is not backed by the Federal Housing Administration or Veterans Administration, and for which the borrower is making a down payment of less than 20%, the lender is likely require the borrower to obtain
- a subrogation agreement.
 - private mortgage insurance.
 - a letter of credit.
 - a co-signer on the note.
12. What is a loan-to-value ratio?
- The percentage of a lender's portfolio that is composed of mortgage loans.
 - The ratio of borrowed principal plus total interest to the appraised value of the collateral property.
 - The ratio of a lender's return on a mortgage loan to the value of the collateral property.
 - The fraction of the appraised value of the property offered as collateral which the lender is willing to lend.
13. The difference between what a borrower has to pay to purchase a property and the amount a lender will lend on the property is the
- loan-to-value ratio.
 - lender's profit margin.
 - buyer's down payment.
 - origination fee.
14. The Equal Credit Opportunity Act prohibits a lender from
- refusing a loan because the property is located in a certain area.
 - including income from self-employment in the borrower's qualifying income.
 - requiring both spouses to sign the loan application form.
 - refusing a loan because a borrower has a defective credit report.

15. A loan applicant has an annual gross income of \$36,000. How much will a lender allow the applicant to pay for monthly housing expense to qualify for a loan if the lender uses an income ratio of 28%?
- \$2,160.
 - \$840.
 - \$1,008.
 - \$720.
16. If a lender discovers that an applicant for a mortgage loan has borrowed the down payment from a relative and has to repay that loan, the lender is likely to
- refuse the application.
 - adjust the applicant's debt ratio calculation and lower the loan amount.
 - increase the loan amount to enable the borrower to pay off the loan to the relative.
 - require the borrower to make payments to an escrow account for repayment of the relative's loan.
17. The Federal Reserve's Regulation Z applies to which loans?
- All loans.
 - All loans secured by real estate.
 - All loans secured by a residence.
 - All loans over \$25,000.
18. If a particular loan falls under Regulation Z's right of rescission provision,
- the lender has the right to change the terms of the loan within a certain period.
 - the lender has the right to accelerate repayment of the loan because of a change in the borrower's credit status.
 - the borrower has the right to pay off the loan ahead of schedule with no penalty.
 - the borrower has a limited right to cancel the transaction within a certain period.
19. Under the Equal Credit Opportunity Act, a lender, or a real estate agent who assists a seller in qualifying a potential buyer, may not
- tell a rejected loan applicant the reasons for the rejection.
 - ask the buyer/borrower about his/her religion or national origin.
 - ask the buyer/borrower to explain gaps in his/her employment history.
 - use a credit report if the loan applicant disputes any information in the report.
20. A conventional mortgage loan is one that is
- backed by the Federal National Mortgage Association.
 - insured under Section 203(b) of the Federal Housing Administration loan program.
 - guaranteed by the Government National Mortgage Association.
 - not FHA-insured or VA-guaranteed.
21. The assumability of an FHA-insured loan is
- unrestricted.
 - limited by when the loan was originated and by the type of property.
 - limited to owner-occupied properties.
 - prohibited on all existing loans under current regulations.

22. A VA certificate of eligibility determines
- whether an individual is a veteran.
 - the maximum loan amount an approved lender can give to veterans.
 - how much of a loan the VA will guarantee.
 - whether a lender is approved to issue VA-guaranteed loans.
23. A borrower obtains a 30-year, fully amortizing mortgage loan of \$30,000 at 8%. What is the principal balance at the end of the loan term?
- \$1,000.
 - \$30,000.
 - \$220.
 - Zero.
24. Which of the following describes a purchase money mortgage financing arrangement?
- A bank gives a buyer a senior mortgage loan that fully covers the cost of purchasing the property.
 - The buyer gives the seller a mortgage and note as part of the purchase price of the property.
 - A land trust holds title to the property while the buyer makes periodic installment payments to the seller.
 - The seller uses the purchase money obtained from the buyer's mortgage loan to repay the seller's outstanding loan balance.

Answers to supplemental chapter questions:

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

18 Real Estate Investment

SUPPLEMENTAL CHAPTER QUESTIONS CHAPTER 18: REAL ESTATE INVESTMENT

1. When an investment property generates less income than the amount the investor has to pay a lender to finance the investment, the investor suffers from
 - a. negative amortization.
 - b. negative leverage.
 - c. a reverse mortgage.
 - d. a debt investment.

2. An individual buys a small office building as an investment and participates actively in the management and operation of the building. This is an example of
 - a. syndication.
 - b. equity investment.
 - c. direct investment.
 - d. illiquidity.

3. Which of the following best describes a Real Estate Investment Trust?
 - a. Investors are partners in an entity that sells pools of mortgages secured by real property.
 - b. Investors are general partners who pool cash resources to buy, develop and operate a property.
 - c. Owners of an income property convey title in the property to a land trust as a tax shield.
 - d. Investors own shares in a trust that receives 75% of its income from real estate investments.

4. Cost recovery is allowed as a federal tax deduction on
 - a. principal residences.
 - b. income properties.
 - c. land.
 - d. land and improvements.

5. A homeowner paid \$185,000 for a house three years ago. The house sells today for \$239,000. How much has the property appreciated?
 - a. 23 %.
 - b. 77 %.
 - c. 29 %.
 - d. 123 %.

6. The primary tax benefit in owning a non-income property such as a residence is
 - a. depreciation of improvements.
 - b. appreciation of land.
 - c. a deduction for costs of operating the property.
 - d. a deduction for mortgage interest.

7. A house sold for \$150,000. The seller paid a brokerage commission of six percent, legal fees of \$600, and had other closing costs of \$1,500. What are the net proceeds from the sale?
- \$150,000.
 - \$141,000.
 - \$140,400.
 - \$138,900.
8. A homeowner bought a house five years ago for \$150,000. Since then, the homeowner has spent \$3,000 to pave the driveway and has added a central heating/airconditioning system at a cost of \$4,000. What is the homeowner's adjusted basis if the house is sold today?
- \$156,000.
 - \$157,000.
 - \$144,000.
 - \$145,000.
9. A homeowner sold her house and had net proceeds of \$191,000. Her adjusted basis in the home was \$176,000. She immediately bought another house for \$200,000. What was her capital gain?
- \$191,000.
 - \$9,000.
 - \$15,000.
 - None.
10. After three years of owner-occupancy, a young homeowner sells his principal residence for a gain of \$150,000, and the next month buys another principal residence that costs more than the adjusted sale price of the old home. Which of the following is true of the treatment of the tax on gain?
- There is no taxable gain.
 - It must be paid in the year of the sale.
 - The homeowner may choose to pay it or defer it..
 - Tax is due on the difference between the cost of the new home and adjusted basis of the old one.
11. Which of the following are limitations on the exclusion of capital gain on the sale of a house?
- The seller is 55 years old, the property is used as a principal residence, and the seller's previously claimed exclusions do not exceed \$125,000.
 - The property is owner-occupied and the seller has never claimed an exclusion previously.
 - The seller must have owned it for two years of the previous five, used it as a principal residence for two years during that period, and not claimed an exclusion in the previous two years.
 - The seller must have owned and occupied it for five years and not claimed an exclusion in the previous year.
12. Bill Holdfast owns a small retail property that he inherited from his father. There are no mortgages or interest expenses connected with the property. Bill takes an annual cost recovery expense of \$5,000. The property has a monthly gross income of \$1,500 and monthly operating expenses of \$500. Bill's taxable income from this property will be taxed at a rate of 30%. What is the tax liability for the year?
- \$2,100.
 - \$3,600.
 - \$3,900.
 - \$7,000.

Answers to supplemental chapter questions:

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

19 Real Estate Taxation

SUPPLEMENTAL CHAPTER QUESTIONS CHAPTER 19 REAL ESTATE TAXATION

1. Which of the following can legally levy real property taxes?
 - a. The Internal Revenue Service.
 - b. A utility company.
 - c. A tax district.
 - d. A court of law.
2. Certain classes of property owner and types of property are exempted or immune from real property taxation in many areas. The protected categories usually include
 - a. recreational properties.
 - b. properties owned by a government agency.
 - c. properties that comply with the Americans with Disabilities Act.
 - d. properties occupied by single-parent families.
3. What is the purpose of an equalization factor in ad valorem taxation?
 - a. It modifies a local tax rate to bring it into conformity with statutory tax rates.
 - b. It changes the assessed value of an individual property to make it reflect the assessed values of other properties in the same neighborhood.
 - c. It adjusts assessments in a locality to make them more consistent with an average level for the state or other higher level jurisdiction.
 - d. It adjusts the amount of the homestead exemption in a certain area to make it proportionally equivalent to the average homestead exemption in other areas.
4. To qualify for a homestead exemption, a property owner generally must
 - a. reside on the property.
 - b. have a house on the property.
 - c. be 55 years old.
 - d. have children.
5. What is a tax levy?
 - a. The total of the assessed values of all real properties within a taxing jurisdiction.
 - b. The sum of all the taxes a local taxing jurisdiction collects in a tax year.
 - c. The action a taxing jurisdiction takes to impose a tax.
 - d. The number of dollars per thousand of assessed value a property owner must pay in property taxes.
6. A school district's tax rate is 10 mills. The school district's required revenue from taxes is \$10,000,000. What is the tax base of the area?
 - a. \$10,000,000.
 - b. \$100,000,000.
 - c. \$1,000,000,000.
 - d. \$100,000,000,000.

7. A homeowner receives a tax bill that includes an amount for the library district, taxed at \$1.00 per \$1,000, and the fire protection district, taxed at \$2.00 per \$1,000. How much does the taxpayer have to pay for these two items if the property's taxable value is \$47,000?
- \$1,567.
 - \$157.
 - \$1,410.
 - \$141.
8. A town is replacing a sidewalk that serves five homes. The length of the sidewalk is 200 feet. Mary's property has 38 feet of front footage. If the cost of the project to be paid by a special assessment is \$7,000, what will Mary's assessment be?
- \$1,400.
 - \$1,330.
 - \$184.
 - \$1,840.
9. What is a tax deed?
- A conveyance instrument for a property that is sold to enforce a tax lien.
 - A document recorded in title records showing that property taxes have been paid.
 - A notice to a homeowner that a tax lien has been entered against the property.
 - A document that gives a municipal authority the power to collect an individual tax bill
10. The right of a property owner to redeem his or her property after a tax sale is called
- a legal right of rescission.
 - an equitable right to acquire title.
 - a right of homestead exclusion.
 - a statutory right of redemption.

Answers to supplemental chapter questions:

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

20 Ethics: Laws and Practices

SUPPLEMENTAL CHAPTER QUESTIONS CHAPTER 20: ETHICS

1. The fair housing law that first protected people against discrimination in housing based on race was the
 - a. Civil Rights Act of 1866.
 - b. Civil Rights Act of 1968.
 - c. Executive Order 11063 of 1962.
 - d. Title VIII amendment to the Fair Housing Act.
2. The classes protected against discrimination by the Fair Housing Act of 1968 are
 - a. race only.
 - b. religion and gender only.
 - c. race, color, religion, and national origin.
 - d. age and gender only.
3. An agent tells a prospective buyer that a seller will not provide any assistance in financing, when, in fact, seller financing is available. If the buyer belongs to one of the groups protected by fair housing laws, the agent may be guilty of which type of illegal discrimination?
 - a. Steering.
 - b. Discriminatory misrepresentation.
 - c. Redlining.
 - d. Providing unequal services.
4. Which of the following actions represents discriminatory advertising?
 - a. Telling prospective buyers about the positive and negative aspects of a certain neighborhood.
 - b. Telling a prospective seller that now would be a good time to put a property on the market.
 - c. Advertising a property as available to individuals of a particular race.
 - d. Telling a prospective buyer that the agent is too busy to show the buyer properties personally on a given day.
5. Which of the following is an example of blockbusting?
 - a. An agent shows a minority home buyer properties located in a neighborhood where there are no other minority home owners.
 - b. An agent persuades a minority home buyer to avoid looking in a neighborhood where there are no minority home owners.
 - c. An agent persuades a family to put their house on the market because ethnic minority families are beginning to move into the neighborhood.
 - d. An agent persuades a minority home buyer to buy a property located in an area where most of the home owners belong to minority groups.
6. What is the significance of the *Jones v. Mayer* Supreme Court decision?
 - a. It provides that anyone seeking to buy or rent a residential property who feels victimized by racial discrimination may take legal action under the 1866 Civil Rights Act.
 - b. It allows for certain exemptions to the Title VIII prohibitions against discrimination provided there is no broker involved in the sale or lease transaction.
 - c. It established that brokers and lenders must indicate their compliance with fair housing laws by displaying a standard HUD poster.
 - d. It added gender, age, and family status to the groups protected against discrimination in housing.

7. A home seller tells the listing agent that he will not consider any offers from minority buyers. A cooperating broker wants to show the home to a minority buyer, but learns from the listing agent of the seller's instructions. The cooperating broker then informs the buyer that he cannot show that home to him. The buyer subsequently asks to be shown only houses that are in minority neighborhoods. Which parties in this scenario are probably liable for violating fair housing laws?
- The seller only.
 - The seller and the listing agent only.
 - The seller, the listing agent, and the cooperating broker.
 - All four parties.
8. The practice of redlining is specifically prohibited by
- The Home Mortgage Disclosure Act.
 - The Real Estate Settlement Procedures Act.
 - The Civil Rights Act of 1866.
 - The Americans with Disabilities Act.
9. Title VIII of the Civil Rights Act of 1968 applies to the sale of
- all single-family residences.
 - all privately owned single-family residences.
 - privately owned single-family residences listed with a broker.
 - privately owned single-family residences "for sale by owner."
10. A broker signs a listing agreement to sell a home for \$100,000. An immigrant couple are interested in the house and ask the agent the price. The agent states the price as \$110,000. According to the fair housing laws, such an action is
- illegal, because the agent changed the terms of the sale to discourage this particular couple.
 - illegal, because the agent violated the listing agreement.
 - legal, because the quoted price increase did not exceed 10% of the listing price.
 - legal, because the increased price does not necessarily exclude the couple.
11. Which of the following actions is allowed under federal fair housing laws?
- A broker, following the instructions of the seller, advertises the property as for sale to Christian families only.
 - A home seller, acting without a broker, places a "for sale-- mature, single men only" sign in front of the house.
 - The owner of four rental houses advertises one of the properties for rent "to married couples, no children, no pets."
 - The owner of a duplex who resides in one of the units refuses to rent the other unit to a non-Christian.
12. May Southfeldt believes a real estate agent has kept her from seeing a certain property for rent because she is a woman. What actions should she take if she wants legal satisfaction for her complaint?
- File charges of illegal discrimination with the police department that has jurisdiction over the local area.
 - File a complaint with HUD and/or file suit against the offending parties in a state or federal court within the prescribed time period.
 - Wait two years and then file a civil suit in federal court.
 - File a civil suit in federal court to force HUD to enforce the Fair Housing Amendments Act of 1988.

13. John Dunbar hires Betty Jones to sell his house, with the condition that he will not be the first one in the neighborhood to sell to members of a certain ethnic group. What should Betty do about this condition?
- Inform Dunbar that the condition is illegal and that she cannot comply with it.
 - Note the condition on the listing agreement and have Dunbar initial it.
 - Pretend that she did not hear the condition and proceed to market the property to all groups.
 - Inform Dunbar that she will try to discourage members of that group from looking at the property, but that she cannot control cooperating brokers.
14. Under federal fair housing laws, the owner of a ten-unit apartment building may legally
- advertise that the property is not available to anyone requiring wheelchair access.
 - refuse to rent to aliens.
 - require families without children to pay the same security deposit that families with children must pay.
 - require tenants to move out when they become 62 years old.
15. Under what conditions would federal fair housing laws allow a home owner to refuse to rent to a family because they have children?
- The owner has a consistent no-children policy in all her rental properties.
 - The owner can prove that costs to repair damage caused by previous tenants with children exceeded the tenants' security deposit.
 - It is a single-family house that is part of a federally-designated planned unit development.
 - It is a single-family house, and the owner owns only one other rental home in addition to his own residence.

Answers to supplemental chapter questions:

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

21 Closings

SUPPLEMENTAL CHAPTER QUESTIONS CHAPTER 21: CLOSINGS

1. During the period between the signing of the sale contract and the closing date,
 - a. the seller may continue to accept offers on the property.
 - b. the seller may not occupy or use the property.
 - c. buyer and seller are expected to remove any contingencies that are stated in the contract.
 - d. buyer and seller continue to negotiate the selling price if either party is dissatisfied.
2. When should a buyer undertake a "buyer's walk-through" of a property that is under contract?
 - a. Immediately after the offer is accepted.
 - b. Immediately after closing.
 - c. As shortly before the closing date as possible.
 - d. As soon as all inspections have been completed.
3. If a sale transaction is to occur in escrow,
 - a. the broker has no further involvement.
 - b. an escrow agent holds funds and documents until all parties have satisfied the conditions necessary for closing.
 - c. the seller's broker holds the sale documents until the buyer has satisfied the terms of the contract.
 - d. the buyer's escrow agent and the seller's escrow agent complete the transaction.
4. If the conditions of an escrow agreement are not met and the transaction cannot be completed, the escrow agent
 - a. levies a fine against the defaulting party.
 - b. assigns his or her fiduciary responsibilities to the seller's broker.
 - c. returns funds to the buyer.
 - d. cancels the sale contract and destroys the transaction documents.
5. A buyer and a seller have employed an escrow agent to handle a closing. Which of the following statements is true?
 - a. Buyer and seller do not need to attend the closing.
 - b. The seller receives the earnest money deposit from the escrow agent as soon as the buyer delivers it.
 - c. The buyer receives legal title as soon as the seller accepts the down payment.
 - d. The escrow agent certifies the buyer's earnest money check and provides the buyer with an opinion of abstract.
6. If the Real Estate Settlement Procedures Act applies to a transaction, the lender must
 - a. give the seller a booklet describing settlement costs and procedures.
 - b. use a prescribed form to disclose settlement costs to the buyer.
 - c. sign an agreement with seller and buyer to act as closing agent.
 - d. allow the buyer to inspect the closing statement at least one week prior to the closing date.
7. To avoid violating the Real Estate Settlement Procedures Act, parties who are providing services to the buyer or seller in a transaction must
 - a. be paid before the closing date for any service they provide.
 - b. inform the closing agent of the cost of their services at least one week before the closing date.
 - c. receive payment only from the funds held in escrow, not directly from buyer or seller.
 - d. disclose in writing any business relationships they have with other parties involved in the transaction.

8. In the context of a closing, proration refers to
- determining the amount of the commission that buyer and seller owe their respective agents at the closing.
 - apportioning an amount paid, received, or due according to the period of time that a party is responsible for the item.
 - determining which expenses the buyer and seller should pay unilaterally outside of the closing.
 - completing the settlement statement.
9. If an item to be prorated affects buyer and seller, and no outside party, which of the following statements is true?
- The item must be prorated and recorded as a debit to one party and a credit to the other party for the same amount.
 - The item must be prorated and recorded as a debit to one party; the remainder is recorded as a credit to the other party.
 - The party who is owed money receives a credit for the entire item, and the party who owes money receives a debit for the prorated amount.
 - The party who owes money receives a debit for the portion owed and a credit for the portion that is not owed.
10. An item is said to be paid in arrears if it is normally paid
- on a monthly or yearly basis.
 - at some time after the expense is incurred.
 - only after it is billed.
 - whenever it is incurred.
11. Which of the following items is paid in arrears?
- Apartment rent.
 - A flood insurance premium.
 - A loan origination fee.
 - A real estate tax bill.
12. Which of the following items is paid in advance?
- A special assessment for a sidewalk.
 - A commission to a real estate broker.
 - An insurance premium payment.
 - Interest on a home equity loan.
13. A seller paid a \$100 item in advance. At closing, the seller has "used" only \$75 of this item. What should appear on the closing statement?
- A debit to the buyer and credit to the seller for \$25.
 - A debit to the buyer for \$25 and a credit to the seller for \$75.
 - A debit to the buyer for \$25 and a credit to the seller for \$100.
 - A debit to the buyer and credit to the seller for \$75.
14. A seller received a rental payment of \$100 in advance. At closing, the seller has "earned" only \$32 of this rent. What should appear on the closing statement?
- A debit to the seller and credit to the buyer for \$32.
 - A debit to the seller for \$68 and a credit to the buyer for \$32.
 - A debit to the seller for \$32 and a credit to the buyer for \$100.
 - A debit to the seller and credit to the buyer for \$68.

15. A buyer will receive a water bill for an estimated \$100 at the end of the month. At closing, the seller has used an estimated \$43 in water. What should appear on the closing statement?
- A debit to the seller and credit to the buyer for \$57.
 - A debit to the seller and credit to the buyer for \$43.
 - A debit to the buyer and credit to the seller for \$57.
 - A debit to the buyer and credit to the seller for \$43.
16. A sale transaction closes on April 1, the ninety-first day of the tax year. The day of closing belongs to the seller. Real estate taxes for the year, not yet billed, are expected to be \$3,150. According to the 365-day method, what is the seller's share of the tax bill?
- \$776.71.
 - \$785.34.
 - \$959.54
 - \$2,364.66.
17. A sale transaction closes on July 4. The day of closing belongs to the seller. On January 1, the seller paid a hazard insurance premium of \$375 for the calendar year. According to the 12-month/30-day method, what is the seller's share of the insurance premium?
- \$183.33.
 - \$187.50.
 - \$189.05.
 - \$191.67.

Questions 18-25 use the following data:

Closing date (day belongs to seller): September 1
(day 244 of the year)
Sale price: \$87,500
Earnest money: \$1,200
Loan amount (buyer's): \$78,750
(90%; 30 years @ 8%)
Points (buyer pays): 2
Monthly payment: \$577.84
((\$525 interest first month)
Tax and insurance escrow (buyer's loan): 6 months
Pre-paid interest (buyer's loan): Sept. 2-Sept. 30
Hazard insurance (existing): \$350
(paid by seller through Dec. 31)
Hazard insurance (new): \$350
(to be prorated in tax and insurance escrow)
Current Year real estate taxes : \$1,100
(will be billed to buyer next year)
Broker's commission (seller pays): 6%
Lender's title insurance (buyer pays): \$250
Escrow fee (seller and buyer share equally): \$500
Recording fee (buyer pays): \$25
Transfer tax (seller pays): \$481

Complete the following closing worksheet and then answer the questions. Use the 365-day method for prorating.

18. What is the seller's share of the real estate taxes?
- a. \$364.66.
 - b. \$367.67.
 - c. \$732.33.
 - d. \$735.34.
19. What is the buyer's share of the existing hazard insurance already paid in full?
- a. \$116.03.
 - b. \$117.99.
 - c. \$232.01.
 - d. \$233.97.
20. How much is the buyer's tax and insurance escrow?
- a. \$425.69.
 - b. \$715.07.
 - c. \$725.00.
 - d. \$851.37.
21. What is the buyer's prepaid interest?
- a. \$507.50.
 - b. \$525.00.
 - c. \$543.10.
 - d. \$558.58.
22. How much will the buyer pay for points?
- a. \$157.50.
 - b. \$175.00.
 - c. \$1,575.
 - d. \$1,750.
23. How much will the seller pay the broker?
- a. \$2,362.50.
 - b. \$2,625.00.
 - c. \$4,725.
 - d. \$5,250.
24. How much will the seller receive at closing?
- a. \$79,583.66.
 - b. \$79,699.69.
 - c. \$82,250.00.
 - d. \$80,899.69.
25. How much will the buyer have to pay at closing?
- a. \$8,750.00.
 - b. \$9,139.66.
 - c. \$9,875.00.
 - d. \$10,263.19.

CLOSING WORKSHEET FOR QUESTIONS 18-25

	Buyer		Seller	
	Debit	Credit	Debit	Credit
Sale price				
Earnest money				
Loan amount				
Points				
Prepaid interest				
Tax/insurance escrow				
Hazard insurance				
Real estate taxes				
Broker's commissions				
Title insurance				
Escrow fee				
Recording fee				
Transfer tax				
TOTALS				
CREDITS				
(DEBITS)				
RECEIVABLE OR (PAYABLE)				

INSTRUCTOR'S CLOSING WORKSHEET FOR QUESTIONS 18-25

	Buyer		Seller	
	Debit	Credit	Debit	Credit
Sale price	87,500.00			87,500.00
Earnest money		1,200.00		
Loan amount		78,750.00		
Points	1,575.00			
Prepaid interest	507.50			
Tax/insurance escrow	725.00			
Hazard insurance	116.03			116.03
Real estate taxes		735.34	735.34	
Broker's commissions			5,250.00	
Title insurance	250.00			
Escrow fee	250.00		250.00	
Recording fee	25.00			
Transfer tax			481.00	

TOTALS	90,948.53	80,685.34	6,716.34	87,616.03
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CREDITS	80,685.34	87,616.03
(DEBITS)	(90,948.53)	(6,716.34)
RECEIVABLE OR (PAYABLE)	(10,263.19)	80,899.69

Answers to supplemental chapter questions:

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

22 Real Estate Licensing And Regulation

SUPPLEMENTAL CHAPTER QUESTIONS CHAPTER 22: REAL ESTATE LICENSING & REGULATION

1. State real estate license laws set a minimal level of competence for real estate professionals and, in addition,
 - a. establish commission and fee schedules.
 - b. set ethical and professional standards.
 - c. limit the number of brokerages that may operate in the state.
 - d. prescribe methods of obtaining real estate business.
2. A particular real estate activity generally requires a license if it
 - a. involves a buyer and a seller.
 - b. concerns a transfer of title.
 - c. results in a taxable event that must be reported to state and federal revenue agencies.
 - d. is performed for another party for compensation.
3. Mary is selling her house. Betty wants to buy it. Margaret intends to help Mary and Betty with the sale contract. In return, Mary will send her son to paint Margaret's house. Which of the following circumstances will probably allow Margaret to help Mary and Betty without holding a real estate license?
 - a. Margaret and Mary are sisters.
 - b. Betty is Mary's daughter.
 - c. Margaret is Mary's attorney.
 - d. Margaret works in the office of a licensed broker.
4. An active broker's license generally authorizes the holder to perform services
 - a. within the area administered by the local real estate board.
 - b. anywhere in the state.
 - c. anywhere in the country.
 - d. in neighboring states as well as in the issuing state.
5. Which of the following is the only capacity in which a licensed salesperson may act?
 - a. As agent for a seller.
 - b. As agent for a principal who has signed a listing agreement.
 - c. As agent for one or more licensed brokers, depending on the transaction.
 - d. As agent of an employing broker.
6. If a licensee's license is voided,
 - a. the licensee may continue performing those services already in progress at the time of voiding.
 - b. the licensee may not practice real estate.
 - c. the licensee may never obtain another license in the same state.
 - d. the licensee may only work for another licensee with a valid license.
7. To obtain a real estate salesperson's license, an individual must
 - a. pass a state license examination.
 - b. have previous experience as an assistant to a licensed salesperson.
 - c. be currently employed by a licensed broker.
 - d. be sponsored by a licensed salesperson.

8. Carl's broker's license is revoked by the state commission. Lily, a licensed salesperson working for Carl, must
- continue to perform services for her clients pending Carl's reinstatement.
 - cease performing real estate services.
 - go to work for another employing broker.
 - obtain a broker's license.
9. If the state licensing authority finds that a consumer's complaint against a licensee is justified, the authority may
- issue a money judgment against the licensee.
 - sentence the licensee to jail.
 - suspend or revoke the license as well as report the case to an appropriate judicial authority.
 - negotiate a financial settlement with the complainant on behalf of the real estate commission.
10. To maintain a valid license, a licensee needs to
- generate a minimum number of transactions within the licensing period.
 - remain in the same agency affiliation for at least one year.
 - pass the licensing examination on a yearly basis.
 - satisfy educational requirements for license renewal.

Answers to supplemental chapter questions:

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

23 Risk Management

SUPPLEMENTAL CHAPTER QUESTIONS CHAPTER 23: RISK MANAGEMENT

1. In which risk management strategy does a party take full responsibility for consequences and enter into an activity in spite of known risks?
 - a. Avoidance
 - b. Reduction
 - c. Transference
 - d. Retention.
2. Brokerage firms can best reduce the risks that licensees will commit errors and violate laws by
 - a. obtaining errors and omissions insurance.
 - b. hiring only agents with law degrees.
 - c. disclaiming knowledge of the law.
 - d. providing professional education.
3. How does documentation manage risk?
 - a. It shows the public that the office is well-managed.
 - b. It serves as evidence that laws have been complied with.
 - c. It relieves agents of the need to remember details.
 - d. It keeps office staff too busy to interfere with transactions.
4. A good way of reducing the risk that brokers and sales affiliates will commit errors or inadvertent law violations is to
 - a. establish a company-administered system of fines and penalties.
 - b. maintain a comprehensive and up-to-date procedures manual.
 - c. hire only licensees with at least five years' experience.
 - d. have licensees sign an agreement that they take sole responsibility for their actions.
5. The risk of committing an unauthorized practice of law can be practically reduced by
 - a. having customers and clients provide their own legal forms.
 - b. avoiding situations that require the use of legal forms.
 - c. using standard forms and contracts prepared by attorneys.
 - d. having an on-staff attorney be present at the signing of any legal form.
6. Transaction records required to be maintained typically include
 - a. road maps.
 - b. photographs of all transaction parties.
 - c. copies of agents' school transcripts.
 - d. closing statements.
7. What kind of coverage is provided by general liability insurance?
 - a. Coverage for any financial harm caused by a covered licensee.
 - b. Coverage for a property owner's risks incurred when the public enters the insured premises.
 - c. Coverage for property damage caused by a property manager.
 - d. Coverage for financial harm caused by an illegal action of a licensee.
8. Standard E & O policies exclude coverage of damages resulting from
 - a. violations of law.
 - b. negligent performance of a professional service.
 - c. failing to carry out a company policy.
 - d. cooperation with other brokerage firms.
9. Failure to maintain client confidentiality is a risk associated primarily with
 - a. trust fund handling.
 - b. office management.
 - c. the agency relationship.
 - d. the closing process.

10. The lead-based paint disclosure requirement
 - a. applies to all properties.
 - b. applies to residential properties built before 1978.
 - c. applies to the seller of a property, not to the seller's agent.
 - d. is mandatory for the seller of a property but optional for the seller's agent.
11. Creating a false impression that the licensee is a certified appraiser is a danger in
 - a. performing a comparative market analysis.
 - b. writing property advertisements.
 - c. presenting written offers.
 - d. researching ownership documents
12. One of the major risk areas in advertising a listed property is that an advertisement will
 - a. describe the property in excessively glowing terms.
 - b. fail to appear at the same time in all available media.
 - c. omit any mention of the owner's main selling points.
 - d. make a substantial misrepresentation.
13. Which of the following actions can a real estate licensee perform without risking the commission of an unauthorized practice of law?
 - a. Give legal advice
 - b. Fill in blanks on a lawyer-prepared contract form
 - c. Charge a fee for preparing a purchase contract
 - d. Draft an addition to a preprinted form
14. In assisting a party to prepare a purchase contract, it is essential for a licensee to
 - a. use the services of an attorney.
 - b. make sure that the buyer and seller do not make any changes to the preprinted form.
 - c. sign the contract along with the buyer and seller.
 - d. make sure the information in the contract is accurate and that all agreed terms are included.
15. To minimize the risk of violating fair housing laws, a licensee should
 - a. refuse to use terms that refer to or describe any of the classes of persons protected by the laws.
 - b. avoid working in neighborhoods that are predominantly occupied by a single ethnic group.
 - c. make discriminatory or derogatory remarks in conversation only, never in writing..
 - d. give better service to members of a protected class than is standard for other clients or customers.
16. If licensees working for competing firms are overheard discussing commission rates, they are at risk for being charged with
 - a. commingling.
 - b. price fixing.
 - c. insider trading.
 - d. redlining.
17. A licensee who knowingly conveys false information about a property is committing
 - a. intentional misrepresentation.
 - b. unintentional misrepresentation.
 - c. accidental fraud.
 - d. felonious representation.
18. The risks that attend recommending service providers can be effectively reduced or transferred by
 - a. presenting a broad range of choices and letting the consumer make a selection.
 - b. recommending all the relevant providers listed in the telephone directory.
 - c. recommending only those providers who are willing to work on a commission split.
 - d. recommending service providers who have performed well in the past.
19. Which of the following is an area of risk for the licensee regarding the Real Estate Settlement and Procedures Act?
 - a. Forgetting to file a tax form reporting a completed sale.
 - b. Failing to be present at a closing
 - c. Failing to make sure the consumer is informed about rights guaranteed by RESPA
 - d. Failing to fill out a Uniform Settlement Statement for a client

20. The main danger in the area of handling trust funds is the possible commission of
- a. separate record keeping.
 - b. trustor malfeasance.
 - c. fraudulent credit scoring.
 - d. commingling and conversion.

Answers to supplemental chapter questions:

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

- 8. a
- 9. c
- 10. b
- 11. a
- 12. d
- 13. b
- 14. d

- 15. a
- 16. b
- 17. a
- 18. a
- 19. c
- 20. d

24 Property Management

SUPPLEMENTAL CHAPTER QUESTIONS CHAPTER 24: PROPERTY MANAGEMENT

1. The general task of a property manager is to
 - a. produce the highest net return for the owner while safeguarding the property.
 - b. find and retain tenants at the least expense to the owner.
 - c. relieve the owner of all responsibility for operating and maintaining the property.
 - d. negotiate rents and regulations between the tenants and the landlord.

2. Financial reporting is
 - a. a duty imposed on a property owner by the Internal Revenue Service.
 - b. a function usually outsourced by the owner to a Certified Public Accountant.
 - c. a fundamental responsibility of the property manager.
 - d. a property management technique used to ensure that tenants pay the correct amount of rent.

3. Which of the following is “cash flow?”
 - a. The total of rents plus revenues from other sources generated by a property
 - b. Fixed operating expenses minus variable operating expenses
 - c. Effective gross income minus net operating income
 - d. Net operating income minus debt service and reserves

4. A certain building has a vacancy rate above that of the general market. The most likely reason for this is
 - a. high property tax rates.
 - b. a bad market.
 - c. poor management.
 - d. lack of incentives from the municipality.

5. One of the principal concerns for a manager in selecting a commercial tenant is
 - a. compatibility of the tenant’s business with that of other tenants.
 - b. the tenant’s corporate management philosophy.
 - c. the current cost of borrowed funds for build-outs.
 - d. the location of the tenant’s corporate headquarters.

6. Which of the following is a true statement about the Americans with Disabilities Act?
 - a. It applies only to residential properties.
 - b. It applies only to commercial properties.
 - c. It requires landlords and managers in some cases to make changes to their facilities.
 - d. It requires property managers to hire the disabled.

7. What are “tenant improvements?”
 - a. Alterations to a rental space made to fit a particular tenant
 - b. Marketing programs that yield a higher quality of tenant
 - c. Increased revenue resulting from a rise in rental rates
 - d. Increased occupancy resulting from a population increase in the market area

8. One of a manager's common environmental responsibilities is
 - a. ensuring that the building is properly waterproofed.
 - b. arranging for environmental audits.
 - c. seeing that all hazardous materials are hidden from view.
 - d. remodeling the building every year to keep up with changing standards.
9. Which of the following is an illustration of a risk avoidance procedure that a property manager might take?
 - a. The manager hires a firm to provide security guards.
 - b. The manager increases the reserves for replacing the carpeting.
 - c. The manager closes a stairwell that is in need of repair.
 - d. The manager adds a rider to the building's hazard insurance policy.
10. It is important for tenants to understand that
 - a. there are no insurance policies that specifically cover tenant property.
 - b. their landlord is required to provide insurance coverage for their personal belongings.
 - c. they do not need any insurance coverage other than the standard fire and flood policy.
 - d. their personal belongings are not covered by their landlord's insurance policies.
11. For the proper handling of client and owner monies, a property manager is generally required to
 - a. deposit all funds every month in the management firm's central operating account.
 - b. employ a notary to witness and record every deposit or payment received.
 - c. maintain a special trust account in a qualified financial depository.
 - d. disburse all funds to their legal owners on a weekly basis.
12. A management agreement establishes a(n)
 - a. agency relationship.
 - b. trust account.
 - c. power of attorney.
 - d. vicarious liability
13. Which of the follow statements about management compensation is false?
 - a. It may be a flat fee based on square footage.
 - b. It may be a commission based on rent.
 - c. It must be negotiated between the agent and the principal.
 - d. It is a standardized amount established by the Universal Landlord and Tenant Act.
14. Which of the following describes a net lease?
 - a. The tenant pays a base rent plus some or all of the operating expenses.
 - b. The tenant pays a fixed rent, and the landlord pays all operating expenses.
 - c. The tenant pays a base rent plus an amount based on income generated in the leased space.
 - d. The tenant pays a rent that increases at specified times over the lease term.
15. If an apartment contains a washer and drier that are included in the lease,
 - a. the lessee is required to maintain them at the lessee's expense.
 - b. the property manager is responsible for maintaining them.
 - c. the landlord retains the right to use them at any time.
 - d. the lessee has the right to remove them.

16. Which of the following is one of the landlord's rights under most residential leases?

- a. Enter the tenant's property at any time without notice.
- b. Raise the rent at any time during the lease term after giving due notice
- c. Expect prompt payment of rent
- d. Retake possession of the premises at any time after giving due notice

17. How does an actual eviction occur?

- a. A landlord obtains a court order to force the tenant to vacate the leased premises.
- b. The landlord's agents forcibly remove the tenant from the premises.
- c. A tenant declares a landlord in default and vacates the leased premises.
- d. A landlord declares a tenant in default and takes possession of the leased premises.

18. The Universal Residential Landlord-Tenant Act

- a. provides a standard lease form that is required in all 50 states.
- b. establishes a national board that hears complaints from tenants and landlords.
- c. aims to clarify imprecise language in residential leases.
- d. makes it illegal for landlords to demand more than two weeks' rent as a security deposit.,

Answers to supplemental chapter questions:

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

25 Massachusetts Licensing Regulation

SUPPLEMENTAL CHAPTER QUESTIONS CHAPTER 25: MASSACHUSETTS LICENSING REGULATION

1. Which of the following statements is TRUE regarding the MA Board of Registration of Real Estate Brokers and Salespersons?
 - a. The Board is supervised by the governor.
 - b. The Board members are appointed by the Director of Professional Licensure.
 - c. Three members of the Board must be licensed brokers with at least 10 years of real estate experience.
 - d. Members of the Board serve 5-year terms.

2. Which of the following statements is FALSE regarding the MA Board of Registration of Real Estate Brokers and Salespersons?
 - a. Board members are compensated monthly for their service.
 - b. Board members review license applicants' criminal records.
 - c. The Board has the power to take action to enforce MA real estate laws.
 - d. The Board must hold at least four meetings a year.

3. Which of the following activities requires a MA real estate license?
 - a. A property owner selling his own property
 - b. A person negotiating a mortgage loan to purchase property for himself
 - c. A property manager employed by the property owner
 - d. A person dealing in options on real estate

4. MA reciprocal licensure is contingent upon
 - a. the applicant passing the MA examination.
 - b. the other state having real estate laws similar to Massachusetts.
 - c. the other state agreeing in writing to allow the MA licensure.
 - d. the applicant applying only for a broker license.

5. To obtain a corporate broker license, the entity must
 - a. require each officer or partner to pass the licensure examination.
 - b. have at least one officer or partner hold a broker license.
 - c. carry professional liability insurance.
 - d. first obtain a salesperson license.

6. Which of the following is a requirement for broker licensure?
 - a. 21 years of age
 - b. High school diploma or equivalent
 - c. Both of the above
 - d. Neither of the above

7. To obtain a broker license, the applicant must
- hold a Bachelor's degree from an accredited college or university.
 - successfully pass the broker examination with a score of at least 75%.
 - pass the broker examination within 2 years of completing the pre-license coursework.
 - hold a salesperson license with at least 2 years of association with a broker.
8. Failing to meet which of the following requirements could exclude an applicant from licensure permanently?
- Passing the written examination
 - Paying all due state taxes
 - Demonstrating good moral character
 - Having a social security number
9. The Board does NOT consider which of the following as a conviction?
- A final judgment of guilty.
 - A plea of guilty.
 - A plea of nolo contendere.
 - None of the above
10. Tom's initial license was issued on August 18, 2017. His birthday is August 17. When is Tom's license renewal date?
- August 17, 2020
 - August 18, 2019
 - August 17, 2019
 - August 18, 2020
11. If a licensee commits an act of discrimination within 2 years of a previous act of discrimination, what penalty could the licensee receive?
- \$500 fine
 - 1 year imprisonment
 - License revocation
 - 90-day license suspension
12. Which of the following statements is TRUE?
- An appraiser trainee applicant must complete 150 hours of pre-license coursework.
 - A state-licensed appraiser applicant must hold a Bachelor's degree from an accredited college or university.
 - A state-certified residential appraiser applicant must complete 2,500 hours of real estate appraisal experience.
 - A state-certified general appraiser applicant must complete 200 hours of pre-certification appraisal coursework.

Answers to supplemental chapter questions:

1. (d) Members of the Board serve 5-year terms.
2. (a) Board members are compensated monthly for their service.
3. (d) A person dealing in options on real estate
4. (b) the other state having real estate laws similar to Massachusetts.
5. (b) have at least one officer or partner hold a broker license.
6. (d) Neither of the above
7. (c) pass the broker examination within 2 years of completing the pre-license coursework.
8. (c) Demonstrating good moral character
9. (d) None of the above
10. (a) August 17, 2020
11. (d) 90-day license suspension
12. (c) A state-certified residential appraiser applicant must complete 2,500 hours of real estate appraisal experience.

26 Requirements Governing Licensees

SUPPLEMENTAL CHAPTER QUESTIONS CHAPTER 26: REQUIREMENTS GOVERNING LICENSEES

1. Which of the following might be acceptable in advertising for a home for sale?
 - a. Great neighborhood for older couple
 - b. Families preferred
 - c. Not a good area for folks with disabilities
 - d. Diverse, friendly neighborhood

2. What is blind advertising?
 - a. Ads that do not contain pictures of the property for sale
 - b. Ads that do not contain the asking price
 - c. Ads that do not contain the broker's name
 - d. Ads that do not contain the broker's license number

3. What steps must a salesperson take when suing a client for failure to pay compensation?
 - a. Send a 7-day notice of intent to sue
 - b. File a complaint with the Board and then the applicable court
 - c. Both of the above
 - d. Neither of the above; salespersons cannot sue clients.

4. Which of the following is TRUE?
 - a. Only supervising brokers may handle trust funds.
 - b. MA brokers who work for another broker are called associate brokers.
 - c. The broker is not responsible for an independent contractor salesperson's activities.
 - d. Independent contractor salespersons may operate their own businesses.

5. Which of the following would be the procuring cause of the property sale?
 - a. John, who has an agency relationship with the seller
 - b. Sarah, who showed the property to several prospective buyers
 - c. Troy, who showed the property to his buyer, negotiated the purchase contract, and provided several of the necessary disclosures
 - d. Terry, who handled the trust fund account and this buyer's earnest money

6. Under what circumstances would the listing agent be the only one to be paid a commission, even if another agent might be considered a procuring cause?
 - a. The listing agent has an exclusive-right-to-sell listing agreement.
 - b. The seller refuses to pay two commissions.
 - c. There is a conflict over who is actually the procuring cause.
 - d. The listing agent signed the purchase contract.

7. What is required of a licensee who has a personal financial interest in a property the licensee is selling?
 - a. Turn the property over to another licensee to sell
 - b. Disclose in writing to the involved parties the type of interest the agent has in the property
 - c. Notify the Board of the agent's interest within 7 days of listing the property
 - d. All of the above
8. If a licensee is the seller's agent and decides to take an option on the property himself, what must the licensee do?
 - a. Disclose his interest to the supervising broker
 - b. Simply turn the seller over to another agent in the same brokerage
 - c. Disclose his interest to the seller and stop acting as the seller's agent
 - d. Put his client's best interest first and submit a reasonable offer on the property
9. Under what circumstances may a licensee NOT present an offer to purchase to a property seller?
 - a. The offer is unreasonable.
 - b. There are already multiple offers presented.
 - c. The offer is verbal.
 - d. No circumstances; the licensee must present all offers.
10. Which of the following is NOT a requirement of an escrow account?
 - a. It must be in a bank located in Massachusetts.
 - b. It must be an interest-bearing account.
 - c. It must not contain broker funds commingled with client funds.
 - d. It must be maintained by a licensed broker.
11. Which of the following is an allowable means of withdrawal from a trust account?
 - a. Checks written out to "cash"
 - b. ATM withdrawals
 - c. Pre-numbered checks
 - d. Cash
12. Under what circumstances would a broker be allowed to hold onto the trust funds if the transaction does not close?
 - a. If the escrow agreement directs the broker to do so in case of a dispute over the funds
 - b. If the seller has not compensated the broker for his or her services
 - c. If the broker believes the parties will resolve their dispute and reopen the transaction
 - d. If there is a liquidated damages clause in the purchase agreement
13. Why might a liquidated damages clause in the purchase contract be a good idea?
 - a. It can protect both the seller and the buyer.
 - b. It gives the seller all of the earnest money if the buyer defaults.
 - c. It requires the seller and the buyer to split the earnest money if either defaults on the contract.
 - d. It directs the broker to hold the funds in case of a dispute.
14. Who can sell out-of-state properties for sale in Massachusetts?
 - a. A licensee in the state where the property is located
 - b. The property owner's agent, regardless where he or she is located
 - c. Only a MA licensed broker
 - d. Out-of-state properties cannot be sold in Massachusetts.

15. Documentation related to escrow accounts must be kept for how long?
- a. 1 year
 - b. 2 years
 - c. 3 years
 - d. Until the transaction closes
16. A broker could have his or her license revoked for which of the following failures?
- a. Failure to notify the Board of all brokers associated with the broker
 - b. Failure to notify the Board of any trade name under which the broker is operating
 - c. Failure to notify the Board of a business location change
 - d. Failure to notify the Board that he or she shares the same office space with another company.

Answers to supplemental chapter questions:

- 1. (d) Diverse, friendly neighborhood
- 2. (c) Ads that do not contain the broker's name
- 3. (d) Neither of the above; salespersons cannot sue clients
- 4. (a) Only supervising brokers may handle trust funds.
- 5. (c) Troy, who showed the property to his buyer, negotiated the purchase contract, and provided several of the necessary disclosures
- 6. (a) The listing agent has an exclusive-right-to-sell listing agreement.
- 7. (b) Disclose in writing to the involved parties the type of interest the agent has in the property
- 8. (c) Disclose his interest to the seller and stop acting as the seller's agent
- 9. (d) No circumstances; the licensee must present all offers.
- 10. (b) It must be an interest-bearing account.
- 11. (c) Pre-numbered checks
- 12. (a) If the escrow agreement directs the broker to do so in case of a dispute over the funds
- 13. (a) It can protect both the seller and the buyer.
- 14. (c) Only a MA licensed broker
- 15. (c) 3 years
- 16. (c) Failure to notify the Board of a business location change

27 Transaction-Related Issues

SUPPLEMENTAL CHAPTER QUESTIONS CHAPTER 27: TRANSACTION-RELATED ISSUES

1. In *McCarthy v. Tobin*, the Supreme Court determined that, if parties do not intend a preliminary agreement to be binding until the formal document is executed, they should
 - a. not send the preliminary agreement by email.
 - b. add language stating the preliminary agreement is not binding.
 - c. only use hand written preliminary agreements.
 - d. not put a preliminary agreement in writing.

2. When a property is annually assessed for tax purposes, the property is NOT classified as
 - a. industrial.
 - b. residential.
 - c. agricultural.
 - d. commercial.

3. For tax purposes, a property is assessed at _____ of its fair market value.
 - a. 100%
 - b. 92%
 - c. 90%
 - d. 85%

4. The essential import of Proposition 2½ is that it
 - a. limits property taxes to 2.5% of the property's assessed value.
 - b. limits the cost of tax stamps to 2.5% of the property's sale price.
 - c. limits tax amounts going to special programs to 2.5% of the annual taxes collected.
 - d. limits annual tax increases to 2.5%.

5. An owner who loses his property at sale to pay back property taxes can redeem the property within _____ of the tax sale.
 - a. 30 days
 - b. 90 days
 - c. 6 months
 - d. 1 year

6. The primary purpose of tax stamps is to
 - a. provide proof that a property owner paid the taxes on the sale of a property.
 - b. provide proof that a property owner paid annual property taxes.
 - c. give constructive notice of the property's value.
 - d. allow the commonwealth to obtain revenue annually through property taxes.

7. Which of the following parties is responsible for recording a mortgage discharge document with the Registry of Deeds?
- The borrower
 - The lender
 - The settlement agent
 - The closing attorney
8. A condominium owner must be _____ delinquent in paying monthly condominium fees before the condominium owners association can file a lien against the unit.
- 30 days
 - 60 days
 - 90 days
 - 180 days
9. The Model Real Estate Time-Share Act includes five articles. Which article is considered optional?
- Article II that covers the process for terminating the time-share estates
 - Article III that covers management and allows for management by an owners association or by a managing entity
 - Article IV that provides protection for buyers by requiring warranties of sale
 - Article V that provides for an administrative agency to investigate abuse claims and bring about legal action for violations
10. Which of the following is NOT an objective of consumer protection laws?
- To ensure the security and confidentiality of customer information
 - To impose penalties on those who breach the security and confidentiality of customer information
 - To protect against access or use of confidential information pertaining to a minor
 - To protect against anticipated threats to the security of confidential information
11. MUETA applies to which of the following activities?
- Offers to purchase real estate
 - Termination of rental agreements
 - Foreclosures
 - Official court documentations
12. If a citizen dies intestate, the courts will base the disposition of the estate on
- the type of estate left by the decedent.
 - the amount of money left by the decedent.
 - the blood relatives of the decedent.
 - none of the above.

Answers to supplemental chapter questions:

1. (b) add language stating the preliminary agreement is not binding.
2. (c) agricultural.
3. (a) 100%
4. (d) limits annual tax increases to 2.5%.
5. (c) 6 months
6. (a) provide proof that a property owner paid the taxes on the sale of a property.
7. (b) The lender
8. (b) 60 days
9. (d) Article V that provides for an administrative agency to investigate abuse claims and bring about legal action for violations
10. (b) To impose penalties on those who breach the security and confidentiality of customer information
11. (a) Offers to purchase real estate
12. (c) the blood relatives of the decedent.

28 Licensee Disclosures; Consumer Protection

SUPPLEMENTAL CHAPTER QUESTIONS CHAPTER 28: LICENSEE DISCLOSURES; CONSUMER PROTECTION

1. The MA Consumer Protection Act has three main objectives. Which of the following is NOT one of those objectives?
 - a. Declare unfair and deceptive business practices as unlawful
 - b. Acknowledge and incorporate unfair and deceptive practices as interpreted in the Federal Trade Commission Act
 - c. Empower the MA attorney general to enforce the provisions of the Consumer Protection Act
 - d. Allow the MA attorney general to create rules for interpreting the provisions of MGL Chapter 93A

2. A private seller handling a transaction without the assistance of a licensee has an obligation to disclose which of the following?
 - a. The presence of an underground storage tank on the property
 - b. The presence of lead paint on the property
 - c. The existence of a psychological impact on the property
 - d. All of the above

3. Which type of misrepresentation can occur irrespective of the broker's intent and knowledge?
 - a. Intentional misrepresentation
 - b. Negligent misrepresentation
 - c. Innocent misrepresentation
 - d. None of the above

4. When a misrepresentation case goes to court, which of the following circumstances will prevail over and above the doctrine of caveat emptor?
 - a. The broker's intent in making the misrepresentation
 - b. The type of loss to the buyer
 - c. The broker's duty to the buyer
 - d. The broker's offer of relief to the buyer

5. Which of the following is to be part of a standard home inspection report?
 - a. Identifying the possibility of concealed damage on any system
 - b. Estimating the life expectancy of a system
 - c. Testing automatic safety controls
 - d. Identifying noncompliance with regulatory requirements

6. If a property condition statement is not required by MA law, what is the reason to use one?
 - a. To alert prospective buyers to areas of concern
 - b. To protect the seller and seller's agent from future lawsuits for misrepresentation
 - c. To obtain a potential discount on the broker's errors and omissions insurance policy
 - d. All of the above

7. MA law protects brokers for failing to disclose which of the following?
 - a. A septic system on the property
 - b. A cancelled transaction caused by a home inspection
 - c. A murder that took place on the property
 - d. An underground storage tank on the property
8. Which warranty is automatically attached to every purchase and sale agreement between a seller and a buyer?
 - a. A 1-year written builder's warranty
 - b. A 3-year implied warranty of habitability
 - c. A 1-year home warranty
 - d. All of the above
9. Which of the following circumstances requires the plaintiff to send the violator a 30-day demand letter?
 - a. The Attorney General taking action against a violating business
 - b. A consumer taking action against a violating business
 - c. A business taking action against another business
 - d. All of the above
10. Which of the following could trigger a dissolution of the business entity?
 - a. Habitual violations of injunctions
 - b. Willful unfair business practices
 - c. Refusal to offer an assurance to cease violations
 - d. Refusal to offer a reasonable settlement within 30 days of receiving demand letter
11. Home inspectors must
 - a. advise the client on whether or not to buy the property.
 - b. identify systems that need repair.
 - c. identify any items that do not comply with state regulations.
 - d. test automatic safety controls.
12. The purpose of a home inspection is to
 - a. assess the physical conditions of the structure and systems on the property.
 - b. assess the property's market value.
 - c. advise the buyer whether or not to purchase the property.
 - d. evaluate the life expectancy of any system on the property.

Answers to supplemental chapter questions:

1. (c) Empower the MA attorney general to enforce the provisions of the Consumer Protection Act
2. (b) The presence of lead paint on the property
3. (c) Innocent misrepresentation
4. (c) The broker's duty to the buyer
5. (a) Identifying suspicion of concealed damage on any system
6. (d) All of the above
7. (c) A murder took place on the property.
8. (b) A 3-year implied warranty of habitability
9. (b) A consumer taking action against a violating business
10. (a) Habitual violations of injunctions
11. (b) identify systems that need repair.
12. (a) assess the physical conditions of the structure and systems on the property.

29 Massachusetts Agency

SUPPLEMENTAL CHAPTER QUESTIONS CHAPTER 29: MASSACHUSETTS AGENCY

1. In a real estate transaction, the principal is the
 - a. agent.
 - b. client.
 - c. managing broker.
 - d. lender

2. An agent who is acting or assisting the principal's primary agent is the
 - a. dual agent.
 - b. designated agent.
 - c. facilitator.
 - d. subagent.

3. The form that must be given to all consumers who meet with a MA licensee to discuss a specific property is the
 - a. MA Notice of Dual Agency.
 - b. MA Mandatory Real Estate Agency Relationship Disclosure Form.
 - c. MA Mandatory Real Estate Licensee-Consumer Relationship Disclosure.
 - d. MA Notice of Designated Agency.

4. The original agency disclosure form is to be
 - a. provided to the client.
 - b. signed by the client or the relationship is dissolved.
 - c. retained by the agent for 3 years..
 - d. provided to attendees at open houses.

5. Which of the following is a TRUE statement?
 - a. A subagent is a licensee who assists both agents in a designated agency relationship.
 - b. No written consent is required to utilize a subagent.
 - c. In a seller agency, the broker is the listing agent.
 - d. No vicarious liability exists in a subagency relationship.

6. A facilitator is also a
 - a. non-agent.
 - b. transaction broker.
 - c. licensee.
 - d. all of the above.

7. Which agency relationship is not commonly used?
 - a. Facilitator
 - b. Seller subagency
 - c. Buyer agency
 - d. Buyer subagency

8. Under what circumstances is a dual agency legal in Massachusetts?
- If the agent obtains written consent from both parties and fully discloses the relationship to both clients
 - If both parties request the dual agency as a way to expedite the transaction closing
 - If the managing broker designated separate brokers to represent the buyer and the seller in the same transaction
 - It is not legal in Massachusetts under any circumstances.
9. In what ways can an agent obtain the required written consent for a dual agency?
- Within the listing agreement
 - Within the buyer agency agreement
 - With a specific separate consent form
 - Any of the above
10. What role does a managing broker hold in a designated agency relationship?
- The designated agent
 - The seller's agent
 - The dual agent
 - The buyer's agent
11. Which of the following statements is FALSE?
- A designated agent owes fiduciary duties to the client.
 - A designated agent represents both the seller and the buyer.
 - A designated agent must put the client's interests first.
 - A designated agency must have written consent from both parties.
12. Which of the following statements is FALSE?
- No agency disclosure is necessary at open houses.
 - Pre-existing agency relationships must be conspicuously posted at the open house.
 - Pre-existing agency relationships can be disclosed in written materials provided to open house attendees.
 - Agency relationship disclosures must be printed more prominently than other information on printed materials at open houses.

Answers to supplemental chapter questions:

- (b) client.
- (d) subagent.
- (c) MA Mandatory Real Estate Licensee-Consumer Relationship Disclosure.
- (a) provided to the client.
- (c) In a seller agency, the broker is the listing agent.
- (d) all of the above.
- (d) Buyer subagency
- (a) If the agent obtains written consent from both parties and fully discloses the relationship to both clients
- (d) Any of the above
- (c) The dual agent
- (b) A designated agent represents both the seller and the buyer.
- (a) No agency disclosure is necessary at open houses.

30 Landlord-Tenant Relations

SUPPLEMENTAL CHAPTER QUESTIONS CHAPTER 30: LANDLORD-TENANT RELATIONS

1. When must a licensee provide a prospective renter with a notice of a rental fee?
 - a. After the lease has been signed
 - b. When showing the rental property
 - c. At first contact of any kind between the renter and the landlord
 - d. At the first personal meeting between the licensee and the renter

2. If the tenant refuses to sign the rental fee notice, what is the licensee to do?
 - a. Refuse to accept that renter
 - b. Charge a higher fee
 - c. Note the refusal on the notice
 - d. Report the refusal to the attorney general

3. It is illegal for a landlord to
 - a. reimburse the tenant for agreed-upon repairs paid for by the tenant.
 - b. wait 20 days after the rental termination to provide the tenant with a list of damages.
 - c. apply State Sanitary Codes to the rental dwelling's condition.
 - d. charge a late fee when the rent payment is 10 days late.

4. When may a landlord legally enter a rented dwelling?
 - a. Whenever he or she wants to
 - b. When he or she wants to show the dwelling to a prospective purchaser
 - c. When the tenant is 1 day late with the rent payment
 - d. When the tenant is 30 days late with the rent payment

5. If a landlord fails to retain tenant deposits in a separate interest-bearing account in Massachusetts,
 - a. the tenant may have three times the deposit amount returned to him or her.
 - b. the landlord may have a civil penalty imposed on him or her.
 - c. the tenant may breach the lease.
 - d. the tenant may deduct the amount of the deposit from the first month's rent payment.

6. When may a landlord refuse a tenant's access to the dwelling under a lease agreement?
 - a. When the tenant is late with the rent
 - b. When the tenant has violated a lease provision
 - c. When the landlord wants the tenant to move
 - d. When the landlord has obtained an order for possession

7. In a tenancy at will, the landlord must provide the tenant with a _____ notice for nonpayment of rent before seeking eviction.
- 7-day
 - 30-day
 - 14-day
 - 24-hour
8. If rent is paid on a dwelling in Massachusetts by a third party (not the renter) who resides in New Hampshire, who can claim the rent deduction on a tax return?
- The third party
 - The renter
 - Both of the above
 - Neither of the above
9. Properties renting for 45 days are exempt from lead paint law requirements as long as
- the property is for vacation or recreational purposes.
 - there are no children under 10 years old occupying the property.
 - there is no chipping or peeling paint.
 - None of the above
10. Which of the following statements is TRUE?
- A rental unit may contain a safety issue as long as the landlord corrects it within 60 days of the tenant's occupancy.
 - If the landlord refuses to correct a safety issue, the tenant can pay to have it corrected with no reimbursement allowed.
 - A landlord is to provide the tenant with a notice of the dwelling's current condition within 10 days of the start of the rental term.
 - A landlord is to provide the tenant a written list of damages within 60 days of rental termination.
11. Which of the following statements is TRUE?
- A landlord may charge a tenant deposits for first month's rent, last month's rent, and cleaning.
 - A landlord may charge a tenant a security deposit in an amount up to 2 month's rent.
 - A landlord must provide a deposit receipt that shows a description of the rental unit.
 - All of the above
12. A landlord must pay earned interest on a tenant's deposits within _____ of rental termination or risk paying three times the interest owed.
- 10 days
 - 30 days
 - 60 days
 - 90 days

Answers to supplemental chapter questions:

1. (d) At the first personal meeting between the licensee and the renter
2. (c) Note the refusal on the notice
3. (d) charge a late fee when the rent payment is 10 days late.
4. (b) When he or she wants to show the dwelling to a prospective purchaser
5. (a) the tenant may have three times the deposit amount returned to him or her.
6. (d) When the landlord has obtained an order for possession
7. (c) 14-day
8. (d) Neither of the above
9. (d) None of the above
10. (c) A landlord is to provide the tenant with a notice of the dwelling's current condition within 10 days of the start of the rental term.
11. (c) A landlord must provide a deposit receipt that shows a description of the rental unit.
12. (b) 30 days

31 Environmental Concerns & Hazards

SUPPLEMENTAL CHAPTER QUESTIONS CHAPTER 31: ENVIRONMENTAL CONCERNS & HAZARDS

1. If a 2,400 square foot home was built in 1998 and has 2 bedrooms on the second floor and 1 bedroom on the first floor, a basement, and 2 stairways, what type of smoke alarm can be placed 10 feet from the kitchen?
 - a. No alarm allowed that close to the kitchen
 - b. Dual alarm
 - c. Battery powered
 - d. Photoelectric

2. Which of the following is a required location for a carbon monoxide detector in homes built in 1990 with gas burning fireplaces?
 - a. In every basement
 - b. Within 5 feet of the fireplace
 - c. Within 10 feet of every bedroom door
 - d. Inside every bedroom

3. Failure to provide lead paint notices to a prospective buyer can result in what penalties under MA law?
 - a. \$1,000 civil fine
 - b. \$10,000 fine
 - c. Criminal penalties
 - d. Fine and criminal penalties

4. Which of the following is required under the federal Lead Paint Renovation, Repair, and Painting Rule?
 - a. Most home improvement work on homes built before 1978 must be completed by an EPA certified lead paint removal contractor.
 - b. Lead paint removal precautions must be followed during most home improvement work.
 - c. Lead-testing kits and respirators must be used during most home improvement work.
 - d. All of the above

5. An individual with a child under 6 years old who is interested in buying a home that contains lead paint must do what?
 - a. Not buy the home
 - b. De-lead the home within 90 days of purchase
 - c. Require the seller to de-lead the home
 - d. Have the home inspected for lead paint

6. Asbestos is the primary cause of what health problem?
 - a. Lung cancer
 - b. Neurological disorders
 - c. Mesothelioma cancer
 - d. Respiratory issues

7. The use of chlordane for termite treatment was banned in
 - a. 1978.
 - b. 1988.
 - c. 1990.
 - d. it has not been banned.

8. The way to stop problems from mold is to
 - a. periodically wash affected areas with soap and water.
 - b. have an annual mold inspection.
 - c. control moisture.
 - d. drill holes in the basement flooring.

9. Marshes, bogs, and swamps are protected under
 - a. the MA Wetlands Protection Act.
 - b. the Coastal Zone Management Act.
 - c. the Clean Waters Act.
 - d. Title 5.

10. Which of the following statements is TRUE?
 - a. MA law requires inspections of septic systems within 5 years of closing a sale of the property.
 - b. MA law does not require septic systems to be brought into compliance prior to selling the property.
 - c. MA Home Septic Loan Program provides for a \$3,000 tax credit for replacing septic systems.
 - d. The property owner needs to disclose the septic system inspection results only to the local board of health.

11. What must an underground storage tank owner do if he or she changes what is being stored in the tank?
 - a. Have a tightness test performed
 - b. Clean the tank
 - c. Notify the DEP
 - d. Prove he has the financial resources to compensate parties injured if there is a leak

12. What does Chapter 21E regulate?
 - a. Asbestos removal
 - b. Environmental hazard cleanup
 - c. Ocean sanctuaries
 - d. Wetlands protection

Answers to supplemental chapter questions:

1. (d) Photoelectric
2. (c) Within 10 feet of every bedroom door
3. (a) \$1,000 civil fine
4. (d) All of the above.
5. (b) De-lead the home within 90 days of purchase
6. (c) Mesothelioma cancer
7. (b) 1988.
8. (c) control moisture.
9. (a) the MA Wetlands Protection Act.
10. (b) MA law does not require septic systems to be brought into compliance prior to selling the property.
11. (c) Notify the DEP
12. (b) Environmental hazard cleanup

32 Housing Regulations

SUPPLEMENTAL CHAPTER QUESTIONS CHAPTER 32: HOUSING REGULATIONS

1. Which consumer is NOT protected from discrimination based on protected classes?
 - a. The owner of a trained service dog
 - b. The consumer with a sexual orientation that involves sexual acts with minors
 - c. The consumer who practices Judaism as a religion
 - d. The consumer whose ancestry is undetermined

2. Which of the following is NOT one of the protected classes under federal law?
 - a. Registered sex offenders
 - b. Disabled individuals with service dogs
 - c. Families with children under 18 years old
 - d. Members of the Catholic faith

3. Under what law are members of the US armed forces a protected class?
 - a. US Fair Housing Act
 - b. MGL Chapter 151B
 - c. HUD Fair Housing law
 - d. MGL Chapter 187AAA

4. Discrimination against the disabled in _____ is NOT prohibited in the ADA.
 - a. transportation
 - b. telecommunications
 - c. housing
 - d. employment

5. When is age discrimination allowed in housing transactions under Massachusetts law?
 - a. Never
 - b. In apartment rentals only
 - c. In residential dwellings with two or fewer units
 - d. In residential dwellings with four or more units

6. In 2010, parts of the ADA were revised to clarify which of the following?
 - a. Definition of service animal
 - b. The ADA's relationship to other laws
 - c. Requirements for communications systems for those with hearing and speech disabilities
 - d. Equal employment opportunities

7. Which of the following regulates homeowners associations?
 - a. The Articles of Incorporation for the association
 - b. The association's Resolutions
 - c. The Fair Housing Act
 - d. All of the above

Answers to supplemental chapter questions:

1. (b) The consumer with a sexual orientation that involves sexual acts with minors
2. (a) Registered sex offenders
3. (b) MGL Chapter 151B
4. (c) housing
5. (c) In residential dwellings with two or fewer units
6. (a) Definition of service animal
7. (d) All of the above

PRINCIPLES OF REAL ESTATE PRACTICE IN MASSACHUSETTS
1st Edition, by Mettling, Cusic, Somers

FINAL EXAMINATION

1. Which of the following ways of specializing is common in the real estate brokerage business?
 - a. By background of client
 - b. By type of property
 - c. By years of experience in the business
 - d. By type of mortgage financing required

2. Which of the following is included in the legal concept of land?
 - a. A corn crop
 - b. A lake
 - c. A felled tree.
 - d. An abandoned vehicle.

3. A property abuts a non-navigable stream. What does the owner own?
 - a. Land to the low-water mark
 - b. Underlying land to the middle of the waterway
 - c. Land to the high-water mark
 - d. All water to the middle of the waterway

4. A retailer installs special display counters to exhibit her products. At the end of the lease term, the retailer moves to another state, leaving the counters in the store. At this point the counters are considered which of the following?
 - a. Trade fixtures, and therefore real property
 - b. Trade fixtures and therefore personal property
 - c. Real property, since the trade fixtures were abandoned
 - d. Personal property that must be returned to the retailer

5. How is a legal life estate created?
 - a. By an owner's voluntary grant
 - b. By operation of law
 - c. Through the four unities
 - d. Through a defeasible conveyance

6. Which of the following is true of a homestead?
 - a. A homestead interest can be conveyed by one spouse.
 - b. A homestead interest cannot be exempt from creditors.
 - c. A homestead interest is a form of legal life estate
 - d. A homestead is any privately owned single-family residence.

7. 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. tenancy by the entirety.
 - c. estate in severalty.
 - d. tenancy in common.

8. A condominium estate is distinguished by
 - a. ownership of a share in an association and a condominium lease on the owned unit.
 - b. tenancy in common interest in airspace and common areas of the property.
 - c. fee simple ownership of a unit and an undivided share of the common areas.
 - d. fee simple ownership of an equal share of the entire property.

9. An easement by prescription requires that
 - a. the use be continuous, known, and permitted by the owner for a period of time.
 - b. the use be continuous, open, and hostile for a required period of time.
 - c. the owner of an adjoining property be landlocked.
 - d. the owner of the affected property be an adverse possessor.

10. In a lien-theory state
 - a. liens are recorded in trusts as opposed to title records.
 - b. the lender records a lien while the borrower retains title to the mortgaged property.
 - c. liened properties are foreclosed by strict foreclosure.
 - d. trustees retain title during a mortgage period.

11. Five liens have been recorded against a certain house, in the following order: first mortgage, mechanic's lien, second mortgage, real estate tax lien, special assessment lien. Which lien will be the last one to be paid from the proceeds of the sale of the house?
 - a. Special assessment lien
 - b. Mechanic's lien
 - c. Second mortgage lien
 - d. Real estate tax lien

12. For a conveyance by deed between private parties to be valid, the deed must be
 - a. warranted by the grantor.
 - b. recorded by the grantee.
 - c. signed by the grantee.
 - d. accepted by the grantee.

13. If a person dies with legal heirs and has left no valid will, what happens to real property owned by that person?
 - a. It is taken by the state according to the process called escheat.
 - b. It is probated according to the terms agreed to by the heirs.
 - c. It is probated and passes to the heirs by laws of descent.
 - d. It is conveyed to the highest bidder at a public auction.

14. A miner openly lives and prospects on a 20,000-acre ranch. After twenty years, the owner notices the miner and kicks him off the property. The miner makes a claim of ownership to the property. This claim will likely be
 - a. upheld, because the possession was not concealed.
 - b. declined in favor of an easement by prescription.
 - c. declined, because the occupancy period was insufficient.
 - d. declined since the owner was not aware of the possession.

15. A tenant obtains a low rental rate for a building, but agrees to pay all operating expenses. This is an example of a
- net lease.
 - percentage lease.
 - gross lease.
 - proprietary lease.
16. In accordance with the statute of frauds,
- leases in excess of one year must be recorded to be enforceable.
 - oral leases are not enforceable.
 - a five-year lease must be in writing to be enforceable.
 - an unwritten lease is fraudulent.
17. A property owner in a development is required to have a shake roof. This requirement is most likely to come from
- a deed restriction.
 - a zoning ordinance.
 - a building code.
 - a condominium declaration.
18. A master plan can be best described as
- an annual review of all building permits and zones.
 - a forecast of existing land use patterns in a market.
 - a plat of subdivision preceding the design of a land use development.
 - a fusion of land use laws and local land use objectives and strategies.
19. A zoning board of adjustment might give favorable consideration to a land use variance if
- compliance would cause the owner undue and unjustified hardship.
 - the appeal is prepared by professional land use attorneys employing the correct procedures.
 - the owner can demonstrate a valid homestead exemption.
 - there is a grandfathering clause in the deed.
20. What are the dimensions of a township?
- One mile square.
 - Six miles by one mile.
 - One mile by one mile.
 - Six miles by six miles.
21. A tract of land is described as the W 1/2 of the N 1/2 of the NE 1/4 of Section 16. What is its acreage?
- 20 acres
 - 40 acres
 - 80 acres
 - 160 acres
22. As an economic product, real estate is unique because
- it has appreciation value.
 - the demand must come to the supply.
 - it is quick to respond to supply-demand imbalances.
 - its appeal is predictable.

23. A critical determinant of commercial and residential property demand in a market is
- availability of land.
 - employment.
 - existing supply of properties.
 - per capita income.
24. If rents are declining in office properties in a market, it is likely that
- unemployment is decreasing.
 - the market is in equilibrium.
 - supply exceeds demand for space.
 - demand exceeds supply of space.
25. Highest and best use of a property is that use which
- involves the highest permissible structure and yields the best income.
 - is economically feasible, and gives the developer the best return.
 - is legal, physically and financially feasible, and most productive.
 - complies with the area's master plan and is best for the community.
26. A strength of the sales comparison approach to value is that
- old as well as new sales data may be used in the adjustment process.
 - the approach is based on the principle of substitution.
 - the approach is accurate with unique, special purpose properties.
 - sale prices can be compared in a neighborhood, since all enjoy the same approximate rate of appreciation.
27. A major employer relocates, leaving many homes in an area vacant and unmaintained. This is an example of
- physical deterioration.
 - functional obsolescence.
 - incurable economic obsolescence.
 - curable external obsolescence.
28. Two important tasks in identifying value through the cost approach are
- estimating the cost of the land and its accrued depreciation.
 - estimating the value of the improvements and the obsolescence of the land.
 - estimating the cost and depreciation of the land and improvements.
 - estimating the cost of the land and the depreciation of the improvements.
29. In evaluating a loan application, a mortgage lender is most concerned about
- the loan interest rate and loan term.
 - the property location and the amount of the borrower's down payment.
 - the applicant's financial capability and the value of the collateral.
 - the applicant's credit history and background.
30. Lenders use the loan-to-value ratio as a guideline in underwriting because
- the property's value serves to measure the profitability of the loan.
 - the loan amount needs to be less than the property's value.
 - borrowers tend to inflate the true value of the property.
 - a full-price loan overfinances the borrower.

31. In the past, borrowers were often surprised by unexpected financing costs and charges at closing. This situation has been largely corrected through disclosure requirements mandated by which of the following laws?
- Equal Credit Opportunity Act
 - Truth-in-Lending laws
 - National Disclosure Procedures Act
 - Federal Fair Housing Laws
32. An important function of the secondary mortgage market is to
- borrow funds from banks so the banks can make more loans.
 - issue tax certificates and sell them to primary lenders.
 - purchase pools of defaulted loans from lenders to keep them solvent.
 - sell mortgage-backed securities in order to buy pools of loans.
33. The Veteran's Administration assists numerous qualified mortgage loan applicants because it
- guarantees loans made by approved lenders.
 - insures loans made by approved lenders.
 - purchases loans made by approved lenders.
 - originates loans made by approved lenders.
34. A \$300,000 loan has monthly payments of \$2,000. Its annual interest rate is:
- 4%.
 - 6%.
 - 8%.
 - 10%.
35. A lender determines that a homebuyer can afford to borrow \$120,000 on a mortgage loan. The lender requires an 80% loan-to-value ratio. How much can the borrower pay for a property and still qualify for this loan amount?
- \$96,000
 - \$106,000
 - \$150,000
 - \$160,000
36. A borrower grosses \$4,000 per month and pays \$600 monthly for debt obligations. What monthly payment for housing expenses (principal, interest, taxes, insurance) can this person afford based on an FHA debt ratio of 41%?
- \$760
 - \$1,394
 - \$1,040
 - \$1,404
37. What is meant by "opportunity cost" when speaking of real estate as an investment?
- The financing charge associated with borrowing money to invest in real estate.
 - The return an investor could reasonably expect to earn from competing investments.
 - The full cost of acquiring an investment property.
 - The financial risk of the investment.

38. Which of the following items would affect a homeowner's adjusted basis?
- Installing a new furnace
 - Replacing a washing machine
 - Stripping and staining hardwood floors
 - Replacing a broken picture window
39. One investment advantage of owning a principal residence is that the owner may be able to
- deduct mortgage interest and principal.
 - defer depreciation expenses.
 - deduct capital gain when the property is sold.
 - defer capital gain tax.
40. The taxable income from an investment property is estimated by using which of the following formulas?
- Cash flow minus depreciation
 - Net income plus depreciation
 - Net income minus debt service
 - Net income minus interest and depreciation
41. A property sells for \$180,000 one year after it was purchased. If the annual appreciation rate is 10%, how much did the original buyer pay for it?
- \$162,000
 - \$163,636
 - \$180,000
 - \$198,000
42. An apartment building has an effective income of \$150,000. Its bills total \$64,000, and depreciation is an additional \$12,000. Interest payments on the loan total \$40,000, and principal payments are \$5,000. What is the property's pre-tax cash flow?
- \$29,000
 - \$34,000
 - \$41,000
 - \$46,000
43. A property has a net income of \$50,000, interest payments of \$35,000, principal payments of \$3,000, and annual cost recovery of \$7,000. The property's tax rate is 28%. What is the property's annual tax on income?
- \$4,200
 - \$3,360
 - \$2,240
 - \$1,400
44. A principal residence is bought for \$180,000. A new porch is added, costing \$7,000. Five years later the home sells for \$220,000, and the closing costs \$18,000. What is the homeowner's capital gain?
- \$15,000
 - \$29,000
 - \$33,000
 - \$51,000

45. A certain investor wants an 11% return on investment from any real estate investment. A property priced at \$360,000 has gross income of \$60,000 and expenses of \$22,000. Approximately how much too high or too low is the price of this property for the investor to obtain her desired return exactly?
- \$1,000 overpriced
 - \$8,000 underpriced
 - \$15,000 overpriced
 - \$16,000 underpriced
46. The function of a board of equalization is to
- equalize millage rates among taxing districts.
 - adjust ad valorem taxes in accordance with a household's income.
 - adjust assessed values so that most property owners have nearly equal tax bills.
 - minimize wide discrepancies of assessed values within the district.
47. A tax rate is derived by
- dividing the tax requirement by the tax base.
 - multiplying the tax base times the tax requirement.
 - subtracting other sources of revenue from the total budget of the taxing district.
 - dividing the tax base by the tax requirement.
48. A special assessment tax differs from other tax levies in that
- properties that receive no benefit do not pay the tax.
 - the tax levy takes into account other ad valorem taxes paid.
 - less valuable properties which stand to benefit will pay proportionately lower taxes.
 - it creates an voluntary junior lien on the property.
49. A homeowner's rented residence has an assessed valuation of \$150,000, and a market value of \$170,000. The homestead exemption is \$25,000. Tax rates for the property are 7 mills for schools; 3 mills for the city; 2 mills for the county; and 1 mill for the local community college. What is the homeowner's tax bill?
- \$1,625
 - \$1,885
 - \$1,950
 - \$2,210
50. The president of a local bank wants to sell her home. She instructs an agent to inform a buyer moving to town that her bank, along with others, is about to curtail mortgage lending for the rest of the year. Hearing this, the buyer hurries to make a full-price offer in order to get the loan application in before the freeze. The seller accepts the offer. This contract is
- enforceable.
 - voidable.
 - null.
 - valid.

51. A seller accepts a buyer's counteroffer and mails the accepted contract to the buyer two days after receiving it. Because of confusion in the post office, it takes four days for the accepted contract to reach the buyer. In the meantime, the buyer's offer has expired. Which of the following is true?
- The buyer is bound to the contract.
 - The buyer has no obligations to the seller whatsoever.
 - The buyer's counteroffer expired before it was accepted.
 - The seller is no longer bound to the agreement.
52. A buyer submits an offer to the seller. While the seller is considering the offer, the buyer calls and cancels the offer, saying the home was too expensive. The seller protests, claiming she was going to accept the contract. Which of the following is true?
- The buyer may not revoke the offer in such a short period of time.
 - The seller may accept the offer, thus binding the buyer to a contract.
 - The seller can offer to lower the price, thereby binding the buyer.
 - The original offer is cancelled, and the protest means nothing.
53. A principal instructs an agent to inform any minority buyer that the property was just put under contract an hour ago and is no longer available. The agent refuses to comply. In this case,
- the agent should exercise caution until the listing expires, then decline to renew it.
 - the agent has not violated fiduciary duty.
 - the agent is liable for breaching the listing terms.
 - the agent may sue the principal for discrimination and misrepresentation.
54. An agent fails to discover crumbling wallboard on the basement ceiling beneath a bathroom. The agent sells the property, and the buyer later sues the agent for not discovering and disclosing a clearly visible and obvious problem. In this case, the agent
- may be guilty of intentional misrepresentation.
 - has an exposure to negligent misrepresentation.
 - can countersue the buyer for not employing an inspector.
 - is not vulnerable, since the problem is not expensive to correct.
55. A buyer representative locates a suitable property through an owner broker. The buyer buys the property, the seller pays a commission, and the two agents split the commission. In this instance, the owner broker is acting as
- a single agent for the owner.
 - a dual agent.
 - a subagent of the buyer representative.
 - a co-operating agent.
56. The nature and import of the agency relationship should be disclosed to the client
- prior to completing an offer.
 - prior to completing a listing agreement.
 - upon the initial contact with the person.
 - within 24 hours after completing a listing agreement.

57. A landlord agrees to pay a broker for procuring a tenant unless someone else finds the tenant first. This is an example of a(n)
- exclusive right-to sell agreement.
 - exclusive agency agreement.
 - open listing.
 - net listing.
58. A property owner wants to put \$240,000 in the bank after selling a property and accounting for all expenses. A broker finds a buyer and sells the property for \$280,000. Closing costs come to \$10,000, not including the broker's commission. According to agreement, the remainder of the amount over \$240,000 goes to the broker as commission. The listing agreement is probably a(n)
- exclusive right-to sell agreement.
 - exclusive agency agreement.
 - open listing.
 - net listing.
59. Under a special agency agreement, a broker is not authorized to
- schedule open houses.
 - advertise the property using the name of the brokerage.
 - discuss price adjustments with the principal.
 - execute a contract for sale agreement.
60. Spenser, who works for selling broker Smith, sells a house listed by listing broker Adams. The house sells for \$425,000. The co-brokerage split between Smith and Adams is 50-50. Spenser is on a 65% commission schedule with Smith. If the total commission rate is 7%, what is Spenser's commission?
- \$9,669
 - \$13,812
 - \$14,875
 - \$19,338
61. A broker and salesperson agree to a 40-60 commission split. This commission rate
- must be within guidelines set by state regulation.
 - must be approved by the listing client.
 - is probably the result of an agreement with other brokers.
 - is probably a reflection of competitive commission rates.
62. The primary jeopardy of overpricing a property is that
- the tax rate will be higher for the client.
 - buyers are put at an unfair disadvantage.
 - the agent stands to lose a commission.
 - the client's expectations may not be achieved.
63. Commingling is the practice of
- mixing deposits from multiple transactions in a single account.
 - mixing agents' commissions with funds for operating expenses of the agency.
 - appropriating client or customer deposits for use in the agency's business.
 - mixing escrow funds with the broker's operating funds.

64. A business buyer wants to acquire a business in its totality, including the business identity and all rights, obligations, liabilities, and assets. The type of transaction that would accomplish this aim is
- an asset sale.
 - a stock sale.
 - a proprietary lease.
 - a rights lease.
65. In which of the following situations would Fair Housing laws allow discrimination?
- The developer of a subdivision containing fifty single-family homes refuses to sell to families that have children.
 - A retirement community whose residents are all over 62 refuses to allow families with children to buy in the community.
 - A condominium community refuses to allow married couples or persons older than 40 to buy a condominium unit.
 - A property owner who owns four small apartment buildings with six units each rents only to married couples.
66. A family is looking for a home in a certain price range. The wife suggests several listings on the east side of town, and the agent agrees to show the family the suggested properties. En route to the targeted neighborhood, the agent drives a certain route to show the family certain retail services and two schools. What has this agent done wrong?
- He is liable for blockbusting.
 - He has provided unequal services.
 - He has steered the family.
 - He has done nothing wrong.
67. At the direction of a seller-client, an agent tells a pregnant working woman that the property is not in a good neighborhood for a single woman, particularly if she regularly works late hours. The neighborhood has an increasing crime rate, and people are moving out. What has this agent done wrong?
- Practiced blockbusting
 - Engaged in steering
 - Committed negligent misrepresentation
 - Nothing: an agent may show or not show any property if the client so directs
68. During the executory period of a sale contract, the buyer enjoys which of the following interests?
- equitable title.
 - legal title.
 - executory title.
 - equity of redemption.
69. A sale contract contains a one-month financing contingency to allow the buyer to procure a loan. Thirty- two days later, the buyer still has no loan commitment. At this point the seller may
- put the property back on the market.
 - sue for specific performance.
 - retain the buyer's deposit.
 - sue the lender to commit to a loan under fair financing laws.

70. While a property is under a contract for deed, the buyer, or vendee, takes possession of the property and makes timely payments of principal and interest. At the end of the term, the vendee obtains a loan and uses the funds to pay off the vendor. Given these circumstances, what option does the seller have?
- He may cancel the agreement because of an improper financing arrangement.
 - He may extend the vendee's lease term since timely payments were made.
 - He may offer to repurchase the property after conveying title.
 - He may exercise the right to retain the deposit as liquidated damages.
71. Which of the following transactions requires a large lender (more than five loans per year) to use the CFPB Closing Disclosure form?
- The buyer/borrower is not represented by a broker.
 - The loan is for a 30-year fixed first mortgage secured by a house.
 - The loan amount exceeds \$85,000.
 - The closing costs exceed one percent of the loan amount.
72. The Real Estate Settlements and Procedures Act prohibits
- a broker from having any business relationship with an insurance company that is involved in the broker's transaction.
 - a broker from pre-qualifying a buyer for a mortgage loan.
 - a lender from requiring a deposit from a borrower for a tax and insurance escrow account.
 - a lender from paying a fee to a broker for referring a borrower to the lender.
73. Which of the following are examples of items typically prorated between seller and buyer at closing?
- Real estate taxes
 - Inspections
 - Survey
 - Mortgage origination fees
74. Which of the following items are paid in arrears?
- Interest and taxes
 - Rents and interest
 - Insurance and interest
 - Rents and taxes
75. A sale transaction on rental property closes on December 16. The landlord received the December rent of \$713 on December 1. Assuming the closing day is the buyer's, and that the 365-day method is used for prorating, which of the following entries would appear on the settlement statement?
- Debit seller \$345.00
 - Credit seller \$713.00
 - Debit buyer \$345.00
 - Credit buyer \$368.00
76. The risk management strategy that aims to decrease the probability or the severity of a potential loss is called
- risk retention.
 - risk avoidance.
 - risk reduction.
 - risk transference.

77. Exceeding the limits of the authority granted is a major risk in
- the fulfilling of listing agreements.
 - the development of policy manuals.
 - complying with fair housing laws.
 - cooperating with brokers from other firms.
78. To shift some of the risk inherent in recommending vendors to consumers, a licensee is advised to
- recommend only one well-known vendor and tell the consumer that the licensee vouches for that vendor..
 - recommend only vendors who are willing to share their fee with the licensee.
 - present a broad range of choices and allow the consumer to make the selection.
 - recommend a different vendor to each consumer or client.
79. When a licensee is sued by the Federal Trade commission, it is usually for
- acting without a license.
 - failing to following correct renewal procedures.
 - violating antitrust laws.
 - violating fair housing laws.
80. Unintentional misrepresentation is generally considered
- an accident that requires no punishment.
 - the same as fraud.
 - more serious than intentional misrepresentation because it demonstrates a lack of professional competence.
 - less serious than intentional fraud but still a violation to be punished.
81. In deriving cash flow from net operating income,
- debt service is subtracted from NOI.
 - debt service is added to NOI.
 - income taxes are added to NOI.
 - cost recovery expense is subtracted from NOI.
82. What is the primary aim of a marketing program for a managed property?
- To enhance the image of the property owner
 - To find and attract the right kind of tenants
 - To attract skilled professional staff to the property
 - To discourage current tenants from leaving the property
83. How does the Equal Credit Opportunity Act (ECOA) affect property managers?
- Managers cannot charge higher rents to tenants because of the fact they have children.
 - Managers must be consistent and nondiscriminatory in evaluating the creditworthiness of tenant applicants.
 - Managers must make housing facilities available to handicapped persons.
 - Managers must identify the owners of all funds in their keeping for others.
84. A kind of insurance that provides coverage for losses resulting from the criminal acts of an employee is
- workers' compensation.
 - consequential loss.
 - liability.
 - surety bond.

85. The most common kind of landlord default is
- failure to maintain the property and provide services.
 - selling the property without notifying the tenants.
 - entering the leased premises without the tenant's permission.
 - death of the landlord.
86. What is the one qualification that all MA Real Estate Board members must share?
- Real estate experience
 - 7 years of real estate experience
 - Citizenship of Massachusetts
 - Willingness to serve two 4-year terms
87. Individuals must hold an active MA real estate license to perform certain activities for a fee. What is one activity a licensee may perform for a fee when on inactive status?
- Negotiate leases on real property
 - Procure prospects
 - Deal in options
 - Search for rental dwellings for prospective tenants
88. A MA broker who works for another broker is called a
- broker.
 - broker affiliate.
 - subordinate broker.
 - broker salesperson.
89. When is a net listing allowed in Massachusetts?
- When agreed to in writing
 - When there is no commission included
 - When the maximum commission is specified
 - Never
90. Brittany became 18 years old on September 19, 2017. She met all requirements for her MA real estate license and was issued the license on November 25, 2017. When is Brittany's license due for renewal?
- November 25, 2019
 - September 19, 2019
 - September 19, 2020
 - November 25, 2020
91. Real estate licensee John has been asked for a price analysis of an historic building belonging to Tom Winslow's estate. John performed a market analysis and provided the Winslow family with an appraisal report showing the value of the building as \$1.5 million. Which of the following statements is true?
- John violated the law by performing an appraisal.
 - John performed the appraisal correctly by performing the market analysis to determine the value.
 - John should have had his broker involved in the analysis.
 - John must receive a fee for the appraisal.

92. Advertisements for real property belong to
- the person who wrote them.
 - the owner of the property.
 - the broker.
 - the source who posted the advertisement.
93. Money belonging to a third party must be deposited into an escrow account by a licensed broker. Once deposited, to whom does the money belong?
- The broker
 - The third party
 - The bank
 - The closing agent
94. McCarthy v. Tobin resulted in offers to purchase being enforced as binding contracts based on what?
- The manner in which the offer was submitted
 - The signatures of both the buyer and the seller
 - The earnest money paid
 - The intention of the offer
95. MUEA applies to
- home inspections.
 - electronic signatures.
 - escrow accounts.
 - appraiser licensing.
96. Which of the following is NOT considered an unfair or deceptive practice under the MA consumer protection regulations?
- Referrals
 - Misrepresentations
 - Material omissions
 - Nondisclosures
97. Affirmative disclosures are those that
- shed a positive light on the property.
 - are voluntary.
 - could be damaging.
 - include the neighborhood's crime rate.
98. Which of the following would NOT stigmatize a particular property?
- Previous resident with HIV
 - Suicide on the property
 - High crime rate in the neighborhood
 - Haunted dwelling on premises

99. What is required of an agent who is acting as a dual agent?
- a. Verbal agreement between the agent and the buyer
 - b. Permission from the MA Real Estate Board
 - c. Disclosure and written consent from buyer and seller
 - d. Request for dual agency from seller
100. A licensee may charge a fee to a prospective tenant for rental services
- a. only if a tenancy is created.
 - b. whether or not a tenancy is created.
 - c. only if the tenant verbally agrees and then cancels the service.
 - d. never.
101. Which of the following deposits is NOT allowed in Massachusetts?
- a. Cleaning deposit
 - b. First month's rent
 - c. Last month's rent
 - d. Key and lock
102. Tenant Terry's rent payment is 10 days late. How much of a late fee may his landlord charge for the late payment?
- a. 1 month's rent.
 - b. \$25
 - c. Prorated amount of 10 days rent
 - d. Zero
103. The MA Building Code that requires homes to have smoke detectors was created in
- a. 1945.
 - b. 1965.
 - c. 1975.
 - d. 1985.
104. Lead paint was banned in
- a. 1963.
 - b. 1976.
 - c. 1982.
 - d. 1986.
105. Asbestos becomes dangerous when
- a. children under 6 years old eat it.
 - b. it becomes wet.
 - c. it burns.
 - d. it is inhaled.

106. Which environmental hazard is still legal in the United States?
- a. Asbestos
 - b. Lead paint
 - c. Chlordane
 - d. Urea Formaldehyde Foam Insulation
107. Rivers are protected under the Scenic Rivers Act and are classified as any of the following EXCEPT
- a. wild.
 - b. developed.
 - c. scenic.
 - d. recreational.
108. The Stretch Code regulates
- a. lead paint disclosure.
 - b. mold cleanup.
 - c. energy performance.
 - d. building codes.
109. For a MA property owner to be exempt from age or familial discrimination laws when renting a dwelling,
- a. the residential dwelling must have two or fewer units.
 - b. the owner must reside in one of the dwelling units.
 - c. the owner must not use an agent to rent the property.
 - d. all of the above.
110. Which of the following businesses is exempt from complying with the Americans with Disabilities Act?
- a. A neighborhood convenience store with 5 employees
 - b. A real estate brokerage with 20 brokers and salespeople
 - c. A dental office where the receptionist is allergic to dogs
 - d. A large grocery store

FINAL EXAMINATION ANSWER KEY

Answers to the National Content Questions – Chapters 1-24

- | | |
|--------|--------|
| 1. b. | 44. a. |
| 2. b. | 45. c. |
| 3. b. | 46. d. |
| 4. c. | 47. a. |
| 5. b. | 48. a. |
| 6. c. | 49. a. |
| 7. d. | 50. b. |
| 8. c. | 51. a. |
| 9. b. | 52. d. |
| 10. b. | 53. b. |
| 11. c. | 54. b. |
| 12. d. | 55. a. |
| 13. c. | 56. b. |
| 14. a. | 57. c. |
| 15. a. | 58. d. |
| 16. c. | 59. d. |
| 17. a. | 60. a. |
| 18. d. | 61. d. |
| 19. a. | 62. d. |
| 20. d. | 63. d. |
| 21. b. | 64. b. |
| 22. b. | 65. b. |
| 23. b. | 66. d. |
| 24. c. | 67. b. |
| 25. c. | 68. a. |
| 26. b. | 69. a. |
| 27. c. | 70. c. |
| 28. d. | 71. b. |
| 29. c. | 72. d. |
| 30. b. | 73. a. |
| 31. b. | 74. a. |
| 32. d. | 75. d. |
| 33. a. | 76. c. |
| 34. c. | 77. a. |
| 35. c. | 78. c. |
| 36. c. | 79. c. |
| 37. b. | 80. d. |
| 38. a. | 81. a. |
| 39. d. | 82. b. |
| 40. d. | 83. b. |
| 41. b. | 84. d. |
| 42. c. | 85. a. |
| 43. c. | |

Answers to the Massachusetts-Specific Content Questions – Chapters 25-32

- 86. c. Citizenship of Massachusetts
- 87. b. Procure prospects
- 88. d. broker salesperson.
- 89. c. When the maximum commission is specified
- 90. c. September 19, 2020
- 91. a. John violated the law by performing an appraisal.
- 92. c. the broker.
- 93. b. The third party
- 94. d. The intention of the offer
- 95. b. electronic signatures.
- 96. a. Referrals
- 97. c. could be damaging.
- 98. c. High crime rate in the neighborhood
- 99. c. Disclosure and written consent from buyer and seller
- 100. a. only if a tenancy is created.
- 101. a. Cleaning deposit
- 102. d. Zero
- 103. c. 1975.
- 104. b. 1976.
- 105. d. it is inhaled.
- 106. a. Asbestos
- 107. b. developed.
- 108. c. energy performance.
- 109. d. all of the above.
- 110. a. A neighborhood convenience store with 5 employees

