

California Real Estate Practice 5th Edition, by Walt Huber and Arlette Lyons

FINAL A – CHAPTERS 1-15

Copyright July 2005, Educational Textbook Company

1. The list of potential clients that an agent contacts on a regular basis:
 - a. is considered his or her "sphere of influence."
 - b. always belongs to his or her broker.
 - c. is technically considered harassment.
 - d. is a waste of time.

2. Errors and Omissions insurance is meant to protect whom from liability?
 - a. Brokers
 - b. Agents
 - c. Both a and b
 - d. Neither a nor b

3. A salesperson who receives all (or nearly all) of the commission earned from a real estate transaction:
 - a. has a 100% commission arrangement with his or her broker.
 - b. has a 50/50 commission contract.
 - c. is breaking real estate law.
 - d. none of the above.

4. How many brokers can a salesperson work for at a time?
 - a. None
 - b. One
 - c. Two
 - d. Unlimited

5. A person whose physical conduct is not subject to the control of another, and who sells results rather than time, is:
 - a. an employee.
 - b. an employer.
 - c. an independent contractor.
 - d. all of the above.

6. Soliciting potential clients by telephoning people you don't know is called:
 - a. cold calling.
 - b. warm calling.
 - c. previewing.
 - d. blind advertising.

7. All commissions are negotiable between a seller and listing broker, and determined:
 - a. when an offer is presented.
 - b. when the listing agreement is signed.
 - c. at the close of escrow.
 - d. None of the above.

8. An open house is a prospecting tool for finding:
- buyers.
 - sellers.
 - both a and b.
 - neither a nor b.
9. Sources of listings may include:
- acquaintances.
 - "for sale by owner" ads.
 - foreclosures.
 - all of the above.
10. When writing effective ads, the formula "A-I-D-A" refers to:
- attention, interest, desire, action.
 - avoid, imply, deceive, assume.
 - advertising inferior dwellings aggressively.
 - none of the above.
11. Rules for regulating real estate advertising under the Truth in Lending Act are covered by:
- Regulation Z.
 - Regulation ABC.
 - The X Files.
 - All of the above.
12. FSBO refers to which of the following?
- Financing Secured By Owner
 - Financing Subject to Buyer's Okay
 - Fire Sale By Owner
 - For Sale By Owner
13. Brokers should examine the call log book regularly to determine:
- the impact of any advertising campaign.
 - if agents are showing up for work on time.
 - what hours the office should stay open.
 - none of the above.
14. The bulk of the typical residential broker's advertising budget is spent on:
- novelty ads.
 - classified ads.
 - highway billboards.
 - skywriting.
15. The type of listing in which the owners would be obligated to pay a commission to the broker even if the owners sell the property themselves during the listed period is:
- illegal in California.
 - a multiple listing.
 - an exclusive right to buy.
 - an exclusive right to sell listing.

16. The amount of commission payable to a real estate broker is ordinarily based on:
- statutory limitations.
 - rules and regulations of the DRE and the FBI.
 - a secret formula known only the Real Estate Commissioner.
 - agreement of the parties.
17. To earn a commission, a broker must produce a buyer who is:
- ready.
 - willing.
 - able.
 - all of the above.
18. If an owner enters into an exclusive agency listing and thereafter sells the property through his or her own efforts:
- the broker is entitled to his or her full commission, plus damages.
 - no commission is payable.
 - the broker takes title to the property.
 - the broker must pay the owner a commission.
19. The type of listing that is most likely to give rise to charges of misrepresentation or fraud is the:
- multiple listing.
 - open listing.
 - net listing.
 - none of the above.
20. How a house looks to a passerby when compared to the rest of the neighborhood, is called:
- curb appeal.
 - viewability.
 - competitive factor
 - all of the above.
21. In order for agents to gain access to the house, keys are often kept:
- under a rock.
 - in a lock box.
 - with a neighbor.
 - all of the above.
22. The Real Estate Commissioner requires that all agreements prepared by salespeople:
- be approved by their designated broker or sales manager.
 - be approved within a reasonable time.
 - both a and b are correct.
 - neither a nor b is correct.
23. In a listing agreement, handwritten or typed-in instructions:
- are given precedence over preprinted instructions.
 - are superseded by preprinted instructions.
 - are not permissible.
 - none of the above

24. To earn the commission guaranteed by a safety clause, the original listing broker must provide the seller with a list of prospects who were shown or made offers on the property within:
- 24 hours of the expiration of the original listing.
 - 48 hours of the expiration of the original listing.
 - 3 calendar days of the expiration of the original listing.
 - 10 calendar days of the expiration of the original listing.
25. Copies of the listing agreement must be given to the signing parties:
- at the time signatures are obtained.
 - within 30 days of signing.
 - within 90 days of signing.
 - none of the above.
26. Which of the following (seller's) listing forms does the buyer also receive a copy of?
- Residential listing agreement
 - Transfer Disclosure Statement
 - Estimated seller's proceeds
 - All of the above
27. The form that is often referred to as "FRPTA" is the:
- Real Estate Transfer Disclosure Statement.
 - Natural Hazard Disclosure Statement.
 - Seller's Affidavit of Nonforeign Status and/or California Withholding Exemption.
 - none of the above.
28. The amount of cash or cash equivalent that is most likely to be paid for a property on a given date in a fair and reasonable open market sale is called:
- capitalization rate.
 - market value.
 - affordable value.
 - comparative value.
29. The term CMA refers to:
- Comparable Marketing Arrangement.
 - Competitive Market Analysis.
 - Cooperative Marketing Associates.
 - Coordinated Multiple Analysis.
30. Most property owners move on an average of every:
- 6 to 8 months.
 - 6 to 8 years.
 - 20 to 30 years.
 - 30 to 40 years.
31. Economic obsolescence is:
- also referred to as social obsolescence.
 - is also referred to as functional obsolescence.
 - loss of value due to conditions outside the property itself (external).
 - both a and c are correct.

32. Advantages to home ownership include:
- appreciation.
 - tax benefits.
 - equity buildup.
 - all of the above.
33. When selling real estate, the MOST effective form of communication is:
- direct contact (face-to-face).
 - by letter (one way).
 - by telephone (two way).
 - none of the above.
34. An incoming call register is a useful tool for:
- record keeping.
 - controlling ad revenue and expenses.
 - following up on inquiries.
 - All of the above.
35. The time assigned to individual agents to answer the company telephone is called:
- downtime.
 - floortime.
 - private time.
 - golden time.
36. Character, capacity, and capital are called the three C's of:
- salesmanship.
 - credit.
 - real estate.
 - competition.
37. The most commonly used purchase contract in California is the:
- California Residential Purchase Agreement and Joint Escrow Instructions form.
 - Residential Listing Agreement and Exclusive Right to Sell form.
 - Competitive Market Analysis form.
 - none of the above.
38. If there is a contradiction in the purchase agreement form:
- the form is considered void.
 - the handwritten or typed-in words supersede the printed words.
 - the printed words supersede the written or typed-in words.
 - none of the above.
39. Liquidated damages are:
- the damages caused by flooding.
 - paid for not fulfilling a clause or condition in the contract.
 - agreed to in advance and stated in the contract.
 - both b and c are correct.

40. Under the buyer occupancy section of the purchase contract, the term CE+3 means:
- the buyer will take possession 3 days after the close of escrow.
 - the buyer will take possession 3 weeks after the close of escrow.
 - the buyer will take possession 30 days after the close of escrow.
 - none of the above.
41. Which of the following is TRUE concerning wood destroying pest inspections?
- Section A1 indicates actual termite infestation.
 - Section A2 indicates existing conditions that may lead to termite infestation.
 - Termite clearance is usually a lenders requirement.
 - All of the above.
42. The seller must provide the buyer with a Lead-Based Paint Notice as an attachment to the purchase contract if the residential property was constructed:
- prior to 1998.
 - prior to 1988.
 - prior to 1978.
 - all of the above.
43. The Disclosure Regarding Real Estate Agency Relationships:
- is only given to a seller.
 - is only given to a buyer.
 - must be given to buyers and sellers before entering into any contract with a broker.
 - none of the above.
44. Which of the following forms details the total cost of the purchase, including monthly payments?
- Buyer's Inspection Advisory
 - Estimated Buyer's Costs
 - Notice to Seller to Perform
 - None of the above
45. Which of the following is TRUE concerning the Buyer's Request for Repairs?
- The buyer's request is really a wish list.
 - The seller may choose to do all, some, or none of the repairs.
 - The buyer may cancel the escrow if a dispute over repairs cannot be resolved.
 - All of the above.
46. If there are more than two counter offers, an agent/broker should:
- lower his or her commission.
 - ask the Real Estate Commissioner for advice.
 - start from scratch and rewrite the contract.
 - have the final counter offer notarized.
47. Which of the following is TRUE concerning the Buyer's Affidavit?
- It involves the Foreign Investment in Real Property Tax Act (FIRPTA).
 - It involves property for use as a residence.
 - It involves property with a sales price that does not exceed 300,000.
 - All of the above.

48. The Verification of Property Condition is filled out:

- a. when the buyer first visits the property.
- b. during the final walk-through.
- c. by pest inspectors.
- d. all of the above.

49. The Professional Physical Inspection Waiver:

- a. is a broker-generated form.
- b. is meant to limit a broker's liability if a party declines to have a physical inspection.
- c. both a and b are correct.
- d. neither a nor b is correct.

50. The terms mortgagee and mortgagor refer to:

- a. mortgages only.
- b. trust deeds only.
- c. mortgages and trust deeds.
- d. none of the above.

51. In a trust deed, the party who is lending the money is called the:

- a. trustor.
- b. trustee.
- c. beneficiary.
- d. none of the above.

52. The compensation for processing the loan and setting it up on the books, which is based on the loan amount, is:

- a. interest.
- b. a loan origination fee.
- c. the prevailing market rate.
- d. start up fee.

53. The term APR refers to:

- a. annual percentage rate.
- b. average percentage rate.
- c. annual points required.
- d. none of the above.

54. A charge to the borrower for paying off all or part of a loan balance before the due date:

- a. is illegal in California.
- b. is called a prepayment penalty.
- c. is called an impound account.
- d. all of the above.

55. Lenders refer to a borrower with a low FICO score and a limited ability to cover family living expenses as a:

- a. lost cause borrower.
- b. prime borrower.
- c. subprime borrower.
- d. commercial borrower.

56. The term PMI refers to:
- prime money investment.
 - private money institute.
 - private mortgage insurance.
 - none of the above.
57. An escrow holder can be:
- a corporation.
 - an attorney
 - a real estate broker acting as the agent in a transaction.
 - all of the above.
58. Which of the following is NOT one of the three requirements for a valid escrow?
- Signed escrow instructions
 - Legal advice
 - Neutral third party as an escrow company
 - Conditional delivery of funds and documents
59. In Northern California, the majority of escrows are handled by:
- escrow departments of title insurance companies.
 - independent escrow companies.
 - the sellers.
 - none of the above.
60. Death does not cancel escrow because:
- it is binding on the heirs (estate).
 - of the prior agreed-to contract.
 - both a and b are correct.
 - neither a nor b is correct.
61. The two rules of proration in an escrow include:
- the date the item is paid.
 - the date escrow closes.
 - the condition of the property.
 - a and b are correct.
62. A report showing the condition of title before a sale or loan transaction is called the:
- preliminary title report.
 - proration report.
 - standard form fire insurance policy.
 - preliminary index report.
63. Which of the following is a lender's extended coverage policy?
- CLTA
 - ALTA
 - RSPA
 - none of the above.

64. An ad valorem tax is a tax that is charged:
- in proportion to the value of the property.
 - to foreign investors only
 - both a and b.
 - neither a nor b.
65. The county officer who collects real property taxes is the:
- county assessor.
 - county tax collector.
 - president of the county board of supervisors.
 - all of the above.
66. The rollback of California property tax to 1% of the selling price, plus 2% cumulative interest every year thereafter, was mandated by:
- Proposition 11.
 - Proposition 13.
 - Proposition 58.
 - all of the above.
67. "No Darn Fooling Around" is a method for remembering:
- important property tax dates.
 - scheduled balloon payments.
 - relative's birthdays.
 - none of the above.
68. Which of the following property is tax exempt in California?
- National and state parks.
 - Property owned by non-profit organizations.
 - Residential property.
 - Both a and b are correct.
69. The Improvement Bond Act of 1915:
- is a special assessment tax.
 - finances street and highway improvements.
 - is based on the frontage of property facing the improved street.
 - all of the above.
70. The tax that requires taxpayers who make above a certain amount of gross income to figure their taxes twice is called:
- alternative minimum tax (AMT).
 - double taxation tax (DTA).
 - sheltered income tax (SIT).
 - none of the above.
71. The liquidity of an income property is determined by:
- the amount of time necessary to turn the property into cash.
 - the size of the pool on the property.
 - the amount of money required to run a property.
 - none of the above.

72. In California, an apartment complex with 16 or more units:
- must have an outside property manager.
 - must have an on-site property manager.
 - must have two on-site property managers.
 - none of the above.
73. Which of the following lenders makes the majority of their funds available for short-term, high-interest loans like credit cards and automobile loans?
- savings banks.
 - commercial banks.
 - life insurance companies.
 - none of the above.
74. Which of the following operating expenditures is NOT one of the terms included in the acronym MITUM?
- maintenance.
 - insurance.
 - interest.
 - taxes.
75. Operating expenses that do not vary depending on the occupancy of the property are:
- fixed expenses.
 - variable expenses.
 - effective expenses.
 - all of the above.
76. An item that has a life span less than the expected life of the property is called a:
- temporary fixture.
 - short-lived component.
 - fixed expense.
 - none of the above.
77. The higher the gross multiplier:
- the higher the price.
 - the lower the price.
 - the lower the commission.
 - none of the above.
78. A seller of a business agrees not to open another business establishment similar to that being sold for six months. Such an agreement is called a:
- cease and desist order.
 - covenant not to compete.
 - covenant of allocation.
 - give and take agreement.
79. What agency regulates the issuance of liquor licenses in California?
- California Liquor Board (CLB).
 - California Department of Real Estate (DRE).
 - California Department of Alcoholic Beverage Control (ABC).
 - All of the above.

80. A real estate broker who wants to include negotiation of loans for prospective borrowers and the sale of trust deeds secured by real property will need:
- a real property security dealer's endorsement.
 - to speak several languages.
 - a law degree.
 - all of the above.
81. The division and subsequent sale of real property is governed by the:
- Subdivision Map Act.
 - Subdivided Lands Act.
 - both a and b are correct.
 - neither a nor b is correct.
82. The body of law referred to as the UCC is the:
- Uniform Commercial Code.
 - Uniform Community Code.
 - Universal Commerce Code.
 - none of the above.
83. The Housing Financial Discrimination Act of 1977 prohibits:
- redlining.
 - steering.
 - blockbusting.
 - none of the above.
84. Lenders who charge an additional processing fee to non-English speaking applicants because of the cost of hiring bilingual employees:
- are exempt from discrimination charges.
 - are guilty of practicing discrimination.
 - are just practicing good business techniques.
 - none of the above.
85. A resident manager:
- lives on the property.
 - may also be referred to as an on-site manager.
 - may also be referred to as a building superintendent.
 - all of the above.
86. A CCRM designation stands for:
- California Certified Residential Manager.
 - California Community Recreational Manager.
 - California Credit Research Manager.
 - none of the above.
87. What type of lease calls for an additional percentage of the lessee's gross business income above the minimum fixed rent?
- Graduated lease
 - Flat rental lease
 - Percentage lease
 - Triple net lease
88. A person who is paid to exercise control over the assets of a common interest development is a:

- a. PRLS.
- b. managing agent.
- c. mortgage banker.
- d. all of the above.

89. By California law, no governmental agency can adopt any rent control restrictions on:

- a. residential property.
- b. nonresidential property.
- c. both a and b are correct.
- d. neither a nor b is correct.

90. A good reason for a real estate licensee to become an assistant is:

- a. shyness.
- b. lack of experience.
- c. laziness.
- d. both a and b are correct.

91. Which of the following statements is generally considered correct concerning brokerage firms that hire real estate assistants?

- a. Agents who hire assistants list more properties than those who don't.
- b. Agents who hire assistants sell more properties than those who don't.
- c. Both a and b are correct.
- d. Neither a nor b is correct.

92. An assistant working as an independent contractor may be expected to:

- a. pay his or her own taxes.
- b. work regular hours from 9 to 5.
- c. work under heavy supervision.
- d. none of the above.

93. A client's database file should include:

- a. property address.
- b. date of sale.
- c. reference file number.
- d. all of the above.

94. Real estate assistants who choose to become notary publics must:

- a. also have a broker's license.
- b. maintain an official record called a notary journal.
- c. use an official seal of notary.
- d. all of the above.

95. The main purpose of the DRE is to:
- a. protect the public.
 - b. protect brokers.
 - c. make money for the state.
 - d. none of the above.
96. Police power provisions are laws created to benefit:
- a. health
 - b. safety
 - c. morals.
 - d. all of the above.
97. A Conditional Salesperson's License expires after:
- a. 6 months.
 - b. 18 months.
 - c. one year.
 - d. four years.
98. The Real Estate Commissioner has the right to:
- a. revoke a license.
 - b. restrict a license.
 - c. suspend a license.
 - d. all of the above.
99. A broker who falsely gives the impression that he or she is the owner of a property for sale is guilty of:
- a. color blind advertising.
 - b. blind advertising.
 - c. puffing.
 - d. keeping a pocket listing.
100. To be called a "realtor®" a licensee must be:
- a. a member of the National Association of Realtors® (NAR)
 - b. a member of the State Bar of California.
 - c. a broker.
 - d. none of the above.

REAL ESTATE PRACTICE - 5TH EDITION
ANSWERS - FINAL EXAM "A" (CHAPTERS 1-15)
Copyright July 2005, Educational Textbook Company

- | | | | |
|--------------------|----------------|----------------|--------------------|
| 1. a (p. 3) | 26. b (p. 129) | 51. c (p. 294) | 76. b (p. 426) |
| 2. c (p. 8) | 27. c (p. 128) | 52. b (p. 294) | 77. a (p. 427) |
| 3. a (p. 8) | 28. b (p. 142) | 53. a (p. 295) | 78. b (p. 453) |
| 4. b (p. 8) | 29. b (p. 144) | 54. b (p. 295) | 79. c (p. 453) |
| 5. c (p. 12) | 30. b (p. 159) | 55. c (p. 298) | 80. a (p. 455) |
| 6. a (p. 19) | 31. d (p. 161) | 56. c (p. 299) | 81. c (p. 464) |
| 7. b (p. 28) | 32. d (p. 162) | 57. d (p. 337) | 82. a (p. 475) |
| 8. c (p. 46) | 33. a (p. 165) | 58. b (p. 337) | 83. a (p. 484) |
| 9. d (pp. 48-51) | 34. d (p. 170) | 59. a (p. 338) | 84. b (p. 487) |
| 10. a (p. 64) | 35. b (p. 171) | 60. c (p. 344) | 85. d (p. 489) |
| 11. a (p. 66) | 36. b (p. 185) | 61. d (p. 349) | 86. a (p. 489) |
| 12. d (pp. 45, 48) | 37. a (p. 208) | 62. a (p. 353) | 87. c (p. 508) |
| 13. a (p. 66) | 38. b (p. 217) | 63. b (p. 360) | 88. b (p. 515) |
| 14. b (p. 58) | 39. d (p. 238) | 64. a (p. 375) | 89. b (p. 518) |
| 15. d (p. 82) | 40. a (p. 224) | 65. b (p. 378) | 90. d (p. 530) |
| 16. d (p. 76) | 41. d (p. 226) | 66. b (p. 378) | 91. c (p. 532) |
| 17. d (p. 75) | 42. c (p. 228) | 67. a (p. 382) | 92. a (p. 539) |
| 18. b (p. 81) | 43. c (p. 258) | 68. d (p. 387) | 93. d (p. 544) |
| 19. c (p. 83) | 44. b (p. 259) | 69. d (p. 387) | 94. d (p. 548-550) |
| 20. a (p. 89) | 45. d (p. 268) | 70. a (p. 397) | 95. a (p. 559) |
| 21. b (p. 101) | 46. c (p. 266) | 71. a (p. 417) | 96. d (p. 551) |
| 22. c (p. 117) | 47. d (p. 267) | 72. b (p. 417) | 97. b (p. 563) |
| 23. a (p. 113) | 48. b (p. 272) | 73. b (p. 419) | 98. d (p. 574) |
| 24. c (p. 115) | 49. c (p. 263) | 74. c (p. 425) | 99. b (p. 576) |
| 25. a (p. 123) | 50. a (p. 293) | 75. a (p. 425) | 100. a (p. 582) |