

Real Estate Principles

FINAL EXAMINATION ROOKS

1. In real estate the word tenancy means:
 - A. Two or more people joined in an enterprise
 - B. A mode of holding ownership
 - C. A tenacious person
 - D. A device
2. Which of the following would be appurtenant to land?
 - A. Anything acquired by legal right that is to be used with the land for its benefit
 - B. A right of way over another owner's adjoining land
 - C. Stock in a mutual water company
 - D. All of the above
3. Which of the following is classified as personal property?
 - A. A dwelling
 - B. A mortgage
 - C. An easement
 - D. Riparian rights
4. An appraiser using the cost method may use the unit cost per square foot or cost per cubic foot in his computations. On a unit basis:
 - A. A small house would cost less than a large house
 - B. A large house would cost more than a small house
 - C. A small house would cost more than a large house
 - D. The cost of a small house and a large house would be the same
5. All of the following would have an effect on the final estimate of value when making an appraisal of an old family residence except:
 - A. Purpose of the appraisal
 - B. Suitability of the residence to the site
 - C. Physical condition of the building
 - D. Original cost of the residence
6. The process of expressing anticipated future benefits of ownership in dollars and discounting them to a present worth at a rate which is attracting purchase capital to similar investments is called:
 - A. Projection
 - B. Yield evaluation
 - C. Equity Manipulation
 - D. Capitalization
7. To alienate title to property means to:
 - A. Secure an ALTA policy of title insurance
 - B. Cloud the title
 - C. Record a homestead
 - D. Convey title
8. Most of the junior loans that are available today are secured through:
 - A. Savings and loan associations
 - B. Private investors
 - C. Commercial banks
 - D. Mortgage bankers

9. The main benefit for the lender under FHA financing over conventional financing is the:
 - A. Mortgage insurance
 - B. Higher yield
 - C. Ease of sale in the secondary money market
 - D. Higher loan to value ratio

10. Mrs. King borrowed money using a fully-amortized loan to finance the remodeling of her real property. If equal monthly payments include both principal and interest, the amount of the payment on the principal will:
 - A. Increase at a constant amount
 - B. Decline while the amount credited to interest increases
 - C. Cause the amount credited to interest to remain constant
 - D. Increase while the amount credited to interest decreases

11. When appraising a house built in 1930, the appraiser would use which of the following to estimate the cost new:
 - A. A national cost index adjusted to 1930
 - B. Actual cost of construction in 1930
 - C. Current replacement or reproduction cost
 - D. Current cost adjusted by the 1930 cost of living index

12. If the Federal Reserve wants to increase the amount of money available to member banks to ease a tight money market it could:
 - A. Raise the discount rate to its member banks
 - B. Lower the minimum reserves required by its member banks
 - C. Raise the minimum reserves required by its member banks
 - D. Sell government bonds

13. When a real estate broker speaks of "tax shelter" he could be referring to:
 - A. Depreciation allowance on income property
 - B. An installment sale of property
 - C. A tax deferred exchange
 - D. Any of the above

14. A standard title insurance policy insures against:
 - A. A recorded deed in the chain of title that was not properly delivered
 - B. Claims of persons in possession of the property
 - C. Easements by prescription
 - D. Losses sustained on improved property only

15. Under which of the following circumstances would a deed be void?
 - A. Grantor uses a name that is not his true name
 - B. The grantee is a fictitious person
 - C. The spelling of the name of the grantor in the body of the deed differs from that in the signature
 - D. The grantee is sufficiently described in the deed but he is not named therein

16. When a document is signed by officers acting on behalf of their corporation, a seal is attached which:
 - A. Makes it eligible for recording
 - B. Shows that consideration has been paid
 - C. Implies authority of person signing
 - D. All of the above

17. The person who most likely would make use of the legal remedy known as "Unlawful Detainer" would be a:
- A. Trustor
 - B. Holder of a note in default
 - C. Lessor
 - D. Grantor
18. Carlson borrowed \$60,000 to finance the purchase of his home. The trend of gradual economic inflation will affect the outstanding balance of the loan to the:
- A. Benefit of the beneficiary
 - B. Benefit of the trustee
 - C. Benefit of the trustor
 - D. Disadvantage of the beneficiary and the trustor
19. In respect to your understanding of an appurtenant easement, all of the following are true except:
- A. It is a burden on the servient tenement and a benefit to the dominant tenement
 - B. It is capable of being transferred
 - C. It must involve adjoining properties
 - D. The dominant and servient tenement cannot be under the same ownership
20. Which of the following parties would hold a less-than-freehold estate?
- A. A lessee
 - B. A dominant tenement
 - C. A beneficiary
 - D. A mortgagee
21. Which of the following would constitute an "estate" in real property?
- A. An easement
 - B. A lease
 - C. A mortgage
 - D. All of the above
22. Which of the following state agencies is empowered to prevent acts of discrimination in housing accommodations in California because of race, color, religion, national origin or ancestry?
- A. Real Estate Commission
 - B. Labor Commission
 - C. Department of Fair Employment and Housing
 - D. Division of Housing
23. Rezoning often involves ridding the area of nonconforming use. The means utilized may involve all of the following, except:
- A. Prohibition against rebuilding
 - B. Prohibition against expanding
 - C. Retroactive zoning ordinances
 - D. Amortization provisions terminating use within a reasonable time
24. In the event there is no provision in the escrow instructions with regard to a termination date, the parties to the escrow have:
- A. 30 days
 - B. 60 days
 - C. A reasonable time
 - D. As long as either desires

25. A valid bill of sale need not contain:
- A. The name of the buyer
 - B. An acknowledgment
 - C. A description of the property
 - D. Signature of seller
26. When a purchase money deed of trust is used to obtain a loan from an institutional lender, the trustor:
- A. Holds the deed to trust
 - B. Receives a note for the amount borrowed
 - C. Signs a note for the amount borrowed
 - D. Loans the funds
27. The maximum amount of income which rental property can be expected to produce is known as:
- A. Effective gross income
 - B. Gross scheduled income
 - C. Net operating income
 - D. None of the above
28. A deed of trust and note given to a seller to finance the purchase of vacant land on which the buyer intends to place a short-term construction loan would most likely contain:
- A. An alienation clause
 - B. An "or more" clause
 - C. A subordination clause
 - D. A prepayment penalty clause
29. Smith purchased a home from Brown which had a conventional loan secured by a trust deed on the property. Smith wanted to assume the loan. The beneficiary agreed to the assumption and a substitution of liability. If this should happen:
- A. Brown is relieved from all liability
 - B. Brown is primarily liable, Smith secondarily liable
 - C. The assumption has no effect on Brown's liability
 - D. Smith is primarily liable but Brown is a surety
30. The Subdivision Map Act requires:
- A. Delivery of a copy of the Real Estate Commissioner's Public Report to all prospective purchasers
 - B. The subdivider to prepare a tentative map and file it with the city or county
 - C. Insertion of release clauses in all blanket mortgages covering subdivision property
 - D. Submission of proposed sales contracts for subdivision lots that a local governing agency had approved
31. The one unity in a joint tenancy holding that is also present in a tenancy-in-common holding is:
- A. Equal right of possession
 - B. Right of survivorship
 - C. Equal interests of all owners
 - D. Tenant in possession can be charged rent for the use of the land
32. When subdivides develop subdivisions, they place certain restrictions on each of the lots. Of these, experience has shown which of the following is least likely to be enforced:
- A. Minimum size for each lot
 - B. Minimum limits on the amount of dollars allowed for improvements on each lot
 - C. Minimum limits on the square footage of each home
 - D. Limitations on the number of stories or total height of structures

33. Which of the following is a personal property interest:
- A. Growing trees in a natural forest
 - B. Mineral rights
 - C. Leasehold estates
 - D. Improvements constructed on the land
34. Which of the following statements concerning tax liens on real property is not correct:
- A. If real property is sold for delinquent taxes at a public auction the buyer receives title free and clear of any trust deed lien
 - B. The real property tax lien is superior to any liens against the property as a result of contracts
 - C. In the standard trust deed form, the beneficiary is usually given the power to foreclose his lien if the buyer doesn't pay his property taxes
 - D. The lien for real property taxes is on a parity with liens for special assessments, regardless of the time of creation of the liens
35. In a deed of trust, the party that loans the money is called the:
- A. Trustor
 - B. Trustee
 - C. Beneficiary
 - D. Mortgagor
36. An easement:
- A. Is a possessory interest in the dominant tenement
 - B. Can be terminated with a merger of the dominant and servient tenement
 - C. Can be created only by a deed
 - D. Can be distinguished from a license because a license is a non-possessory interest
37. A "real estate appraisal" is an estimate of value:
- A. Based upon replacement costs
 - B. Based upon analysis of fact as of a specific date
 - C. Derived from income data covering at least the preceding six months
 - D. Derived from average tax assessments covering the past five years
38. Effective gross income is the:
- A. Spendable income after taxes
 - B. Gross income minus allowable expenses and payments of principal and interest
 - C. Gross income minus an allowance for vacancies
 - D. Gross income minus allowable expenses and depreciation
39. Every lease contains an implied covenant of "quiet enjoyment and possession". This covenant directly relates to:
- A. A title that is free of all encumbrances
 - B. Tenant's possession free of disturbances by the landlord or another who has paramount title
 - C. Nuisances inflicted by adjoining neighbors
 - D. Liability for damages due to tenant's negligence
40. The event for income tax purposes, where money is paid to an owner of real property that is taken as a result of condemnation proceedings, is known as:
- A. A tax free exchange
 - B. Involuntary conversion
 - C. Subrogation
 - D. Economic obsolescence

41. During a period of time in which unemployment is declining and the gross national product is increasing:
- A. The value of single family residences would tend to increase in value
 - B. New home sales would tend to increase
 - C. Demand for existing housing would increase
 - D. All of the above would be true
42. An owner of commercial property entered into separate open listing contracts with a number of different real estate brokers. Under these circumstances, each broker will:
- A. Have an opportunity to earn a full commission if he or she is the procuring cause
 - B. Equally share the commission if any one of the brokers sells the property
 - C. Earn a full commission if the owner sells the property herself
 - D. Have the right to exercise an option to purchase the property at the listed price
43. Irons, a 15 year old emancipated minor, entered into a listing contract with a broker to sell real property that he owned. When the broker finds a buyer and both parties have signed a purchase contract, the broker should obtain proof of the emancipation to satisfy the demands of the:
- A. Escrow holder
 - B. Title company
 - C. Buyer
 - D. Buyer's broker
44. The relationship of the escrow holder to the parties in the sale and purchase of real property is that of an:
- A. Advocate
 - B. Independent contractor
 - C. Employee
 - D. Agent
45. A seller of a home suffered damages due to misrepresentations made by the broker with whom the seller had been dealing with. In the lawsuit filed against the broker by the seller, the broker contended that he was not liable since the listing contract had been an oral and not a written agreement as required under the statute of frauds. Under these circumstances the court would likely rule that:
- A. Since the contract was not in writing , the statute of frauds would relieve the broker of any liability
 - B. The broker would not be liable for any damages if escrow had closed before damages had been established
 - C. The broker is liable and the statute of frauds is not the issue
 - D. The broker is only liable if the misrepresentations had been given in written form.
46. A real estate broker is liable to a buyer if he:
- A. Executes a contract in the name of the seller after proper authorization by a power of attorney
 - B. Acts in excess of the authority given him by the seller
 - C. Turns buyer's deposit over to seller and thereafter contract fails without agent's fault
 - D. Innocently makes a misrepresentation based upon information received from seller
47. Two of the most important things for a borrower to be advised about under the "Truth in Lending" law are:
- A. Disclosure and discount rate
 - B. Finance charge and annual percentage rate
 - C. Carrying charge and advertising
 - D. Installment payments and cancellation rights

48. A note on which interest only is paid during its term is called:
- A. A straight note
 - B. An amortized note
 - C. An installment note
 - D. A level payment note
49. One of the distinguishing economic characteristics of real property is that it is:
- A. Immovable
 - B. A long term investment
 - C. Very costly
 - D. Likely to increase in value
50. The primary justification for zoning ordinances is that they:
- A. Promote conformity in the outward appearances of structures
 - B. Limit the supply of specific businesses within a zoned area
 - C. Promote the general health, safety and welfare of the community
 - D. Increase the tax base of the local governing body
51. Which of the following types of depreciation is usually the most difficult to cure:
- A. Functional obsolescence
 - B. Physical depreciation
 - C. Economic obsolescence
 - D. Physical deterioration
52. A broker who holds an option on real property and who intends to sell the property to another after exercising the option, should inform the purchaser that the broker is acting as:
- A. An optionor
 - B. A beneficiary
 - C. A mortgagor
 - D. A principal
53. Which of the following would not be classified as obsolescence?
- A. Outdated fixtures
 - B. Declining neighborhood
 - C. Wear and tear
 - D. Misplaced improvements
54. After a "Notice of Default" has been recorded in a foreclosure, the trustee must wait three months before:
- A. Reinstating the loan
 - B. Taking possession of the property
 - C. Deeding the title to the beneficiary
 - D. Advertising a "Notice of Sale"
55. A contract for the sale of community real property signed by the wife only is:
- A. Valid
 - B. Voidable
 - C. Illegal
 - D. Void
56. Land, which is subject to an easement, is said to be:
- A. Appurtenant thereto
 - B. Encroached upon
 - C. Encumbered
 - D. Restricted

57. The personal, revocable and unassignable permission or authority to do one or more acts on the land of another without possessing any interest therein, is a definition of:
- A license
 - An easement
 - An encumbrance
 - An option
58. Mortgage interest rates usually decrease when:
- The supply of mortgage money increases substantially
 - Inflationary trends are on the up-swing
 - Businesses are expanding and making large capital expenditures
 - The Federal Reserve Board increases the reserve requirements for member banks
59. Market value of improved real property is least affected by:
- Original cost of materials
 - An open market
 - Exchange value
 - Objective value
60. A builder purchased a tract of land, convincing the seller to finance part of the purchase price with a note and deed of trust, which contained a subordination clause. That clause could:
- Create additional liens against the property without the consent of the buyer
 - Result in future liens placed on the property by the buyer to have priority
 - Ensure that the first trust deed always has priority over all other loans
 - Render invalid any construction loan placed against the property
61. Which of the following is not required to obtain an easement by prescription:
- A use of the property hostile and adverse to the true owner's title
 - A public confrontation with the owner before witnesses
 - A claim of right
 - Open, notorious and uninterrupted use for 5 years
62. A form that is usually prepared to allow a real estate licensee to act as an agent for all principal parties to the transaction involved is:
- An agreement of sale
 - An exchange agreement
 - A loan broker's statement
 - A real property securities statement
63. A "seasoned" loan would best be described as a loan:
- That is delinquent for all four quarters of the year
 - On which payments have been made on time each month over a good length of time
 - Where the borrower receives cash instead of credit extended by the seller of the property
 - That is being offered for sale by a Real Property Securities Dealer
64. In order to secure an FHA home loan a new buyer would normally do all of the following except:
- Find a lender who will be willing to grant him the loan
 - Apply to the nearest office of the FHA for an appraisal
 - Agree to pay for mortgage insurance protection
 - Buy a home which meets the FHA requirements and restrictions
65. If the Federal Reserve Bank feels that there is an inflationary trend developing in the United States they can do which of the following:
- Adjust the amount of reserves required for its member banks
 - Increase the discount rate
 - Enter into the government bond market in a selling capacity
 - All of the above

66. Which of the following zoning symbols would identify property which could be used for multi-family apartments:
- A. C-3
 - B. A-4
 - C. R-4
 - D. M-4
67. The maximum amount of income which rental property can be expected to produce is known as:
- A. Effective gross income
 - B. Gross scheduled income
 - C. Net operating income
 - D. None of the above
68. A trust deed is usually considered in "default" if which of the following occur:
- A. Illegal use of the property
 - B. Failure to maintain the improvements adequately
 - C. Delinquency in the scheduled payments on the accompanying note
 - D. Any of the above
69. The prospective buyer of a business would be most interested in:
- A. Gross sales
 - B. Net profit
 - C. Turnover
 - D. Accounts payable
70. The end result of most profit and loss statements is to ascertain:
- A. New worth
 - B. Total assets
 - C. Total liability
 - D. Net income
71. It is sometimes difficult to determine the ownership rights of personal property because personal property can:
- A. Become real property
 - B. Be hypothecated
 - C. Be alienated
 - D. Be all of the above
72. Broker Jones holds a listing which stipulates that the broker is authorized to accept a deposit from the buyer on behalf of the seller provided the deposit is in the form of a cashier's check made payable to the seller. The broker procures a buyer who signs an offer and gives the broker a personal check in the amount of \$1,000, payable to the escrow company. Under these circumstances the broker should:
- A. Deposit the \$1,000 check with the escrow company
 - B. Place the deposit in his trust account
 - C. Advise the principal that the offer is being made with a check payable to the escrow company, prior to presenting the offer
 - D. Refuse to accept the deposit since it was not made payable to the seller
73. Under the California Veterans Home and Farm Purchase Act of 1974, the purchaser acquires possession through a:
- A. Grant deed
 - B. Warranty Deed
 - C. Land contract
 - D. Special state deed

74. The original amount of a straight note that calls for interest payments of \$60 per month based on a rate of 8% per annum is:
- A. \$4,000
 - B. \$7,500
 - C. \$9,000
 - D. \$12,000
75. An appraiser intends that the estimate of value as disclosed in his appraisal report on a property be valid:
- A. As of the date of the appraisal only
 - B. For a period of three months after the appraisal date
 - C. For a period of six months after the appraisal date
 - D. For a period of one year after the appraisal date
76. Title to real property being purchased under the California Veteran's Farm and Home purchase plan is held by the:
- A. Vendee
 - B. Trustee
 - C. Veteran's Administration
 - D. Department of Veterans Affairs
77. Which of the following would be regarded as functional obsolescence:
- A. Termite-infested walls
 - B. Inharmonious use of the adjacent property
 - C. Decline of the neighborhood
 - D. Massive cornices on an apartment building
78. The cost approach to value would have limited usefulness when appraising which of the following properties:
- A. A new residence in an R-1 zone
 - B. An old structure with many functional deficiencies
 - C. A projected industrial development
 - D. All of the above
79. When an owner grants a utility company the right to string wires over property, it creates:
- A. A specific lien
 - B. A profit a pendre
 - C. An encumbrance
 - D. A declaration of restriction
80. A person delegated in an instrument to act legally for another in his stead is which of the following?
- A. A fiduciary
 - B. A principal
 - C. An attorney-in-fact
 - D. A trustee
81. Escrow companies normally base their prorations on an escrow year of:
- A. 350 days
 - B. 355 days
 - C. 360 days
 - D. 365 days
82. A declaration by a person who is adverse to taking an oath is known as:
- A. An acknowledgment
 - B. An affirmation
 - C. An affidavit
 - D. A verification

83. A licensed real estate broker accepts a listing from an owner who informed the broker that the entire plumbing system was in bad condition and some sections of the system were actually missing. In order to sell the home without added expense, the broker and owner decided to advertise and sell the home "as is" without disclosing the plumbing condition. A buyer purchased the home "as is" and did not become aware of the faulty plumbing system until after escrow had closed. If the buyers decided to take legal action for this loss, the courts would most likely hold who responsible?
- A. Broker only
 - B. Seller only
 - C. Broker and seller
 - D. Neither broker nor seller since the "as is" condition was a disclaimer
84. When a real estate licensee refers to a "tax free" exchange, it is generally meant that there will be:
- A. Deferred taxes
 - B. No taxes
 - C. An even exchange
 - D. No gain
85. A valid deed must contain:
- A. A date
 - B. Evidence of recordation
 - C. A granting clause
 - D. The signature of the grantee
86. The legal purpose for the creation and existence of zoning restrictions is:
- A. To keep all types of commercial property out of residential neighborhoods
 - B. The preservation or protection of public health, safety, morals or general welfare
 - C. To keep the land uses in every area as closely similar as possible
 - D. To make available to the public sufficient amounts of recreational areas
87. A balloon note is also known as:
- A. A fully-amortized loan
 - B. A static loan
 - C. A self-liquidating loan
 - D. A partially-amortized loan
88. When a borrower defaults under a note secured by a deed of trust, the trustor is allowed a specific period of time to redeem the property. During the redemption period, the right of possession is held by the:
- A. Escrow agent
 - B. Trustee
 - C. Trustor
 - D. Beneficiary
89. What is the youngest age at which a single person, without court or guardianship proceedings, is legally entitled to enter into an enforceable real estate contract?
- A. 16 years
 - B. 18 years
 - C. 19 years
 - D. 21 years

90. Which of the following documents is the primary one used in the purchase of a home under the California Veterans Farm and Home Purchase Plan:
- A. A deed of trust
 - B. A real property purchase contract
 - C. A mortgage
 - D. Any of the above
91. A parcel of land that is 1,780' x 1,780' contains most nearly:
- A. 27 acres
 - B. 54 acres
 - C. 65 acres
 - D. 73 acres
92. A licensed real estate agent may refuse to show a home that was available for sale to a person of a minority race provided the:
- A. Owners had given specific instructions against showing it to minorities
 - B. Licensee felt the home was not suited to the needs of the prospective purchasers
 - C. Licensee was able to ascertain that the prospective purchaser was not able to qualify financially according to the terms specified in the listing
 - D. Owners were out of town and had left instructions that the home was not be shown to anyone during this period of time
93. The term "indefinite period of time or duration" most generally relates to which of the following:
- A. Mortgages
 - B. Fee simple absolute
 - C. Less-than-freehold estate
 - D. Life estate
94. Which of the following factors would tend to make real estate values unstable in a residential neighborhood?
- A. An increasing amount of average price homes are being constructed in a neighborhood with a number of high priced homes
 - B. Local zoning restrictions limit or prohibit the construction of multiple family units
 - C. The resident of a neighborhood are of the same ethnic background and religious beliefs
 - D. The subdivider demands that all homes to be constructed by those purchasing lots be a minimum number of square feet and value
95. The Archers encountered financial difficulties and decided to sell their home in which they had a substantial equity. They listed the property with Broker Taylor for \$60,000, but told Taylor that they must sell quickly and would take less if necessary. Broker Taylor located a prospective buyer and suggested to the buyer that they make an offer for only \$50,000 since the sellers were in a rush to sell. The buyer's offer of \$50,000 was presented and accepted by the sellers. Under these circumstances, Taylor's action was:
- A. Not unethical since the Archer's willingly accepted the offer as presented
 - B. Unethical, but not a violation of his fiduciary relationship to the Archers
 - C. A violation of this fiduciary relationship to the Archers because he disclosed important and confidential information without the seller's consent
 - D. Not a violation of his fiduciary relationship to the Archers since they told him to sell the home as quickly as possible and he accomplished this task
96. The type of real estate loan in which the interest rate will fluctuate based on a change in money market conditions is known as:
- A. An interim loan
 - B. A variable rate mortgage
 - C. A graduated payment mortgage
 - D. A reverse annuity loan

97. Under the Federal Fair Housing Law, if persons of a minority race contact a real estate office and ask any one of the sales staff about the availability of homes in a certain price bracket, and indicate their interest in inspecting the homes, the salesperson is required to:
- A. Show them the same number of homes that would be shown to any other prospect
 - B. Show the prospects at least six homes in that price bracket
 - C. Inquire of the prospects if they are interested in homes located in a Caucasian neighborhood
 - D. Show them an equal number of homes in both Caucasian and minority race neighborhoods
98. An advantage of the installment sale method of reporting gain from the sale of property is that:
- A. The entire gain is received in one year
 - B. The gain is distributed over a number of years at the same tax rate
 - C. The gain is distributed over a number of years
 - D. There is no tax in the first year that payments are received
99. Which of the following parties would normally pay points on a Cal-Vet loan?
- A. Buyer
 - B. Seller
 - C. Department of Veteran's Affairs
 - D. No one
100. The government's control over land use, planning and zoning are an important example of:
- A. Eminent domain
 - B. Police power
 - C. Deed restrictions
 - D. All of the above
101. If the tenants are delinquent in their rent under a written lease, the landlord can have them evicted by:
- A. Serving them with a 3-day notice to pay or quit
 - B. Filing a notice of default
 - C. Giving them 30 days notice
 - D. Court proceedings
102. The interest rate on a straight note in the amount of \$27,000 that calls for interest payments of \$573.75 each quarter would most nearly be:
- A. 6.6%
 - B. 7.2%
 - C. 8.6%
 - D. 9.2%
103. In 1920, restrictions were imposed on a subdivision that limited the conveyance or lease of the property to persons of the Caucasian race. These restrictions were to expire in 1998. Presently these restrictions are:
- A. Enforceable
 - B. Unenforceable
 - C. Covered by title insurance
 - D. Valid unless all property owners agree to eliminate them
104. A grantor gave his deed to a friend with written instructions that the deed "is to be returned to the grantor upon demand or, in the event of grantor's death, the deed is to be delivered to grantor's son". If the son were to receive a deed under these circumstances, there could be a question of proper:
- A. Recordation
 - B. Acknowledgment
 - C. Delivery
 - D. Verification

105. Adams sold his home to Brooks, who did not record his deed but took up residency there. Adams then sold the same property to Carr, who examined the county recorder's files but did not look at the property. Carr received a deed from Adams and recorded it. Concerning title to that property, which of the following is true:
- A. Title vests with Carr
 - B. The priority of recordation prevails
 - C. Carr has recourse against Brooks for failure to record
 - D. Brooks remains the owner
106. When three parties hold title to real property as joint tenants:
- A. Their ownership interests can be unequal
 - B. There is only one title to the whole property
 - C. If one co-owner dies, his heirs become tenants in common with the surviving co-owners
 - D. Each co-owner has a separate title to his undivided interest
107. Most buyers receive which of the following policies of title insurance:
- A. An extended coverage policy
 - B. An ALTA policy
 - C. A standard policy
 - D. A certificate of title
108. A copy of a structural pest control inspection report prepared pursuant to the Business and Professions Code must be delivered to the buyer:
- A. When there is visible evidence of infestation
 - B. When it is a condition of the purchase contract or a requirement imposed as a condition of the financing
 - C. After the seller has reviewed the report and given his permission
 - D. In every instance, whether requested or not
109. A "sellers' market" is considered to exist under which of the following conditions?
- A. The number of sellers far exceed the number of prospective buyers
 - B. Fewer properties are available for sale in contrast to an ever increasing number of qualified buyers
 - C. Competition between sellers is on the increase
 - D. The multiple listing service is receiving a greater number of new listings but fewer sales
110. A commercial bank agreed to loan Davis \$90,000 for a one year term provided Davis agree to maintain a savings account with the bank in the amount of \$9,000 during the term of the loan. This provision is known as:
- A. Compensating balances
 - B. Risk management
 - C. Mortgage insurance
 - D. A security deposit
111. A percolation test is often conducted in a new proposed subdivision to ascertain the:
- A. Ability of the soil to absorb water
 - B. Width and depth requirements of footings
 - C. Quantity and quality of well water
 - D. Approximate size of the water storage tank needed to service a given size house or farm building

112. Broker Thompson who held an exclusive authorization and right to sell listing, received an offer on the property under the exact terms and price of the listing. Before Thompson could present the offer, a cooperating broker gave Thompson another offer which was for the same price but with a slightly lower down payment. Under these circumstances, broker Thompson should:
- A. Present both offers to the seller at the same time
 - B. Present the offers to the seller in the order received
 - C. Refuse to submit the cooperating broker's offer and submit the offer that meets the exact terms of the listing
 - D. Hold the cooperating broker's offer and suggest to her buyer that they increase their offered price
113. If an owner has riparian rights, it means the party has rights to the taking and use of water from:
- A. A river, stream or other watercourse
 - B. Underground accumulations
 - C. A bay of the ocean or lake
 - D. All of the above
114. A joint tenancy holding in real property can legally be created by the execution of a deed by:
- A. A husband and wife to themselves as joint tenants
 - B. All existing joint tenants to themselves and others as joint tenants
 - C. All existing tenants in common to themselves as joint tenants
 - D. Any of the above ways
115. A real estate licensee must disclose his or her license status in newspaper advertisements when representing a client. In order to avoid a "blind ad" the licensee may use which of the following abbreviations:
- A. "Agt."
 - B. "Bro."
 - C. Neither "Agt" or "Bro"
 - D. Either "Agt" or "Bro"
116. If a question of priority was raised between two trust deeds that had been executed against the same property and assuming neither contained a subordination clause, the trust deed that would have priority would be the one that had been:
- A. Executed and delivered first
 - B. Used to secure a construction loan
 - C. Used to purchase the property
 - D. Recorded first
117. In the sale of real property in which the buyer assumed an existing loan, the closing statement would show the loan as:
- A. A debit to the buyer
 - B. A credit to the buyer
 - C. A credit to the seller
 - D. None of the above
118. A promissory note that calls for a fixed amount to be paid each month towards the principal, plus accrued interest with a balloon payment due at the end of 5 years, is known as a:
- A. Fully amortized note
 - B. Straight Note
 - C. Fixed payment note
 - D. Partially amortized note

119. Contracts entered into by a person during a period of time in which the person develops mental health problems would become statutorily void when the person:
- A. Visits a psychiatrist twice a week, stays at home and cannot hold down employment
 - B. Voluntarily commits himself or herself to a mental institution
 - C. Is committed to a mental institution against his or her wishes
 - D. Is legally adjudged insane and for whom a conservatory has been appointed by the court following a conservatory hearing
120. A real estate licensee who fails to disclose a material fact to a prospective buyer while acting as the agent of the seller could be subject to:
- A. Disciplinary action by the Real Estate Commissioner
 - B. Criminal action
 - C. Civil action by the injured party
 - D. All of the above
121. When there is a valid contractual assignment of a lease, the assignee who acquires the leasehold interest becomes a:
- A. Guarantor
 - B. Tenant
 - C. Landlord
 - D. Sublessee
122. When a buyer enters into a real property sales contract (sometimes known as an installment sale contract) the buyer usually receives:
- A. A right of possession
 - B. A freehold estate
 - C. An estate of inheritance
 - D. All of the above
123. Evans received a valuable parcel of real estate in an inheritance from a deceased uncle at age 15. Within the year he deeded the property to a nonprofit religious group with whom he had become deeply committed. The religious group recorded the deed and constructed a building on the property. Shortly after reaching the age of 18, Evans became disenchanted with the organization and decided to reclaim the property as his own. Under these circumstances:
- A. His claim would be barred since his original deed to the group had been duly recorded
 - B. The original deed was void since he was a minor at the time of the grant
 - C. The religious group must reimburse Evans for the value of the land but will retain legal ownership of the property
 - D. Evans cannot disaffirm the grant once he has reached age 18
124. A prospective buyer, who was not a real estate licensee nor had any "ties" with the seller's broker, wished to purchase a large parcel of land and made an offer on the property at a price of \$600 per acre. The seller accepted the offer and escrow was opened. During the escrow period the seller discovered that the buyer had already entered into an agreement to resell the acreage at a price of \$2,000 per acre to an unknown buyer. Under these circumstances the original seller's recourse is to:
- A. Rescind the contract
 - B. Refuse to close the escrow and sue for damages
 - C. Void the contract based on misrepresentation
 - D. Do nothing

125. A licensed real estate broker who owned a large real estate firm operating under the name of ABC Realty Company, listed a property for a total price of \$40,000. The broker and many of his salespersons were all principals in an investment company operating under the name of Realty Income Investment Company. The investment company decided to purchase the property so the broker presented an all cash offer to the owner for the full price but did not disclose to the seller who the purchasers were. The seller accepted the offer and opened escrow. Under these circumstances:
- A. The broker's actions were perfectly legal since he offered the full cash price
 - B. The broker's offer would be legal provided he added to the escrow instructions the fact that the purchasing firm was composed of brokers and salespersons
 - C. The broker acted properly provided he had agreed to waive any commission
 - D. The broker's action was improper because he did not reveal the true identity of the purchaser
126. Which of the following liens would have first priority
- A. 1911 Street Improvement Act Assessment Bond
 - B. Recorded First Deed of Trust
 - C. Recorded Declaration of Homestead
 - D. Whichever of the above was recorded first
127. A minor cannot hire a real estate broker under an exclusive authorization and right to sell contract because a minor:
- A. Is legally incapable
 - B. Cannot negotiate and enter into a real estate property transaction without the approval of the court
 - C. Can disaffirm the contract at his or her discretion
 - D. Is incapable of making an adult decision
128. Upon payment of a fee, certified copies of inspection reports issued by any licensed structural pest control operator, may be obtained from the Structural Pest Control Board by:
- A. Seller only
 - B. Buyer only
 - C. Seller and buyers only
 - D. Anyone
129. To an appraiser, a definition of value is:
- A. The relationship of a desirous person to the thing desired
 - B. The ability of one commodity to command other commodities in exchange
 - C. The present worth of all rights to future benefits arising out of ownership of property
 - D. All of the above
130. An acre is to be divided into four equal lots. If the lots are parallel to each other, rectangular, and 200 feet deep, the width of each lot would most nearly be:
- A. 15 feet
 - B. 55 feet
 - C. 200 feet
 - D. 218 feet
131. An enforceable listing contract for the sale of real property must be:
- A. In writing
 - B. Acknowledged
 - C. Recorded
 - D. All of the above

132. When a title company issues an ALTA policy, it customarily extends the risks normally insured against under the Standard policy to included all of the following except?
- A. Rights of parties in possession
 - B. Unrecorded physical easements
 - C. Effects of zoning
 - D. Unrecorded mechanic's liens
133. Fisk owns a lot. He also owns a right-of-way easement over the property of his neighbor, Smith. This easement is appurtenant to Fisk's lot. Fisk sells his lot to Jones without specific mention of the easement in the deed. The easement:
- A. Remains with Fisk as an encumbered interest
 - B. Passes to Jones
 - C. Terminates unless it is a covenant with the land
 - D. Reverts to Smith
134. A licensee was attempting to list homes for sale by cautioning owners that minority groups were moving into the area and it would decrease property values, the quality of the schools would suffer and that crime rates would increase. Under these circumstances:
- A. There has been no violation of the Realtor's Code of Ethics
 - B. The Real Estate Commissioner cannot discipline the licensee because he has no jurisdiction even though the licensee is acting unethically
 - C. The Real Estate Commissioner can discipline the licensee
 - D. If the facts are true, he cannot be disciplined
135. The most practical method of imposing restrictions on a new large subdivision is to:
- A. Publish the restrictions in a newspaper of general circulation
 - B. Include the restrictions as covenants in all the deeds
 - C. Record the restrictions in the manner provided by law and make reference to them in each deed
 - D. Post the restrictions on the property
136. A commercial acre is defined as an acre of land:
- A. In a shopping center in a rural area
 - B. In an industrial development
 - C. In a new subdivision zoned for commercial use
 - D. Less the streets and alleys
137. Which of the following represents a gross misrepresentation by an agent?
- A. The representation is an obvious falsehood
 - B. The representation is made with the knowledge of a falsehood
 - C. The representation caused the aggrieved party to enter into the contract
 - D. All of the above
138. A broker took a listing for 90 days and during the listing term, the owner is declared mentally incompetent. At that point, the listing:
- A. Is binding
 - B. May be enforced through a suit for specific performance
 - C. Is enforceable if the broker produces a buyer "ready, willing and able" to buy
 - D. Is void
139. Broker Jones, who is not a member of any trade organization, has been using a new advertising slogan: "A new breed of Realtor." This practice is:
- A. Grounds for revocation or suspension of her real estate license
 - B. Permissible, providing the word "realtor" is not capitalized
 - C. Acceptable as long as she is not licensed in more than one state
 - D. A violation of the Fair Housing Laws

140. Once real property becomes known as a "tax defaulted property" following the fiscal year in which the real property taxes were unpaid and had become delinquent, the owner-occupant:
- A. Must pay rent to the state
 - B. Must vacate the property
 - C. May remain in undistributed possession
 - D. If free of liability for taxes accruing thereafter
141. A tract developer learns that a large national cosmetics manufacturer is moving one of its plants near an area in which he is building a large number of new homes and condominiums. Since a great number of the employees of the cosmetic firm will be women, he decides to gear his sales promotion towards this group. He tells his advertising agency to aim all of their ads to reflect a preference for female buyers. Realizing he can't discriminate towards any one racial group, he advises his sales agent to be sure to set up a quota for Caucasian, black, Chicano, and Asian buyers. Once the quota has been reached they should discourage any further sales to that racial group by adjusting the prices. If the developer follows this plan, he violates:
- A. No fair housing laws
 - B. The fair housing laws based on his ad campaign but not the quota system
 - C. The fair housing laws based on his racial quota system but not the ad campaign
 - D. The fair housing laws in both his ad campaign and racial quota system
142. A broker is required to keep his principal informed of all material facts. A broker who holds a listing from the seller must disclose which of the following facts when presenting an offer:
- A. The purchaser is not of the Caucasian race
 - B. A cooperating broker will be presenting a higher offer the following day
 - C. The buyer's lender is insisting on an impound account
 - D. None of the above
143. Which of the following items would most likely appear as a credit on the seller's closing statement?
- A. Prepaid taxes
 - B. An assumed loan
 - C. Title insurance premium
 - D. Delinquent assessment lien
144. An assessment bond was levied against a property for street improvements just prior to the date the property taxes became a lien. Under these circumstances:
- A. The property taxes have priority over the assessment
 - B. The assessment has priority over the property taxes
 - C. The assessment and the property taxes are on a parity with each other
 - D. The assessment has the same priority as a mechanic's lien
145. All of the following are personal property except:
- A. Trade fixtures
 - B. Easements
 - C. Trust deeds
 - D. Mortgages
146. Which of the following would best describe the sudden tearing away of land by the action of water?
- A. Alluvium
 - B. Avulsion
 - C. Accretion
 - D. Erosion

147. The replacement cost approach is more difficult to apply to older properties than to newer properties because:
- A. Historic costs are difficult to obtain
 - B. Land prices are difficult to determine on older properties
 - C. Depreciation schedules are difficult to determine on older properties
 - D. Zoning and building codes are subject to change
148. Which of the following appraisal reports would be the most comprehensive and complete?
- A. Narrative
 - B. Certificate
 - C. Letter
 - D. Printed form
149. When applying the market data approach in the appraisal of a single family residence, the appraiser would use the value of comparable properties based on the day the:
- A. Purchase agreement had been signed
 - B. Escrow closed
 - C. Deed was recorded
 - D. Lender issued their commitment
150. One of the essential requirements for a transaction to qualify as a tax free exchange is that the properties being exchanged:
- A. Be residential properties
 - B. Have the same assessed value
 - C. Have the same equity
 - D. Be like for like

REAL ESTATE PRINCIPLES ANSWERS

REVIEW EXAM BOOKS

1. B. The word tenancy means a method, mode or means of holding ownership. (P. 18)
2. D. All of the items listed in choices "A", "B" and "C" are considered to be appurtenant to the land. (P. 6 Par. A B C)
3. B. A mortgage is a piece of paper and is considered an item of personal property. (P. 45 & P. 5 Par. E)
4. C. There are always a number of sizable start-up costs in the construction of a new home. As you increase the size of the home in the planning stages, the additional cost is not as great. Considering this, the square foot cost of a small home would be a great deal more by the square foot than that of a large home. (P. 60 Par. 4 a)
5. D. Original cost has very little or nothing to do in any cost appraisal of an older structure. (P. 60 Par. B)
6. D. The statement of the question is a means of describing the income approach which is used to establish the value of income property. It is also referred to as the capitalization approach. (P. 60 Par. C)
7. D. When an owner alienates the title to the property it means he or she has conveyed it. (P.9 Title Transfers)
8. B. Most second and third trust deeds today are only available through private investors and individuals. (P. 46 Par. E 4 c)
9. A. The mortgage insurance protects the lender in the event of a loss due to foreclosure. Although the lender can sell the loan to FNMA, a secondary money market, it is not the main advantage. (P.53 Par. A)
10. D. As the loan is paid off, the amount due for interest will decrease thereby allowing more to be applied to the principal. (P.44 Par. B)
11. C. When applying the cost approach in the appraisal of any structure, regardless of its age, the appraiser uses today's costs to estimate the cost to reproduce or replace a like structure. (P.60 Par. B 2)
12. B. If the Fed allows the member banks to reduce their minimum reserves, this means more cash would be available for loans and would ease a tight money market. (P.51 Par. A 2 b)
13. D. A tax shelter protects part of the owner's income or profits from taxation. The use of any of the three techniques could lead to a tax savings. (P. 97 Par. A 4)
14. A. The standard policy covers all matters of record and would cover a recorded deed even though it was not properly delivered. (P. 71 Par. B 1 a)
15. B. A fictitious person is someone that does not actually exist. Naming someone in a deed that does not actually exist would make the deed invalid and void. (P. 9 Par. A 3)

16. C. The corporate seal merely implies that the parties that signed the document had the authority to do so. (P. 90 Par. A 4)
17. C. An unlawful detainer action is a court action used by a lessor or owner of the property to oust a tenant who is there illegally. (P. 80 Par. F 6)
18. C. One of the benefits of the ownership of real estate that has been purchased by outside financing is that, if there is an increase in value, it all accrues to the owner of the property. The owner in this instance, would be the trustor. (P. 44 Par. B)
19. C. An appurtenant easement could exist over any number of properties along an alleyway. It would not be limited to just the property next to the dominant tenement. (P. 6 A Par. E 1 b)
20. A. A less-than-freehold estate refers to a lease or leasehold. The party that holds a less-than-freehold estate would be a lessee. (P. 78 Par. Leases)
21. B. An estate indicates an ownership interest of some type in real property. Under a lease the tenant owns the right of possession of the property and it is considered a less-than-freehold estate. (P. 78 Par. Leases)
22. C. Under the Rumford Act, complaints can be filed with the Department of Fair Employment and Housing. (P. 89 Par. B 3)
23. C. The city can pass new zoning laws but they cannot make these new ordinances apply to property that has been improved some years back. The laws cannot be retroactive. (P. 86 Par. B 1)
24. C. If the parties had made no provisions as to the length of the escrow period, it would be set at a reasonable period of time. (P. 73 Par. B 5)
25. B. A bill of sale is the document used to convey title to personal property. This document is not recordable and therefore need not be acknowledged. (P. 73 Par. A 3)
26. C. The trustor is the borrower and is the party that signs the note and trust deed. The beneficiary is the lender who holds the note and trust deed. (P. 45 Par. A 1)
27. B. The statement of the question is a good definition of gross scheduled income. (P. 60 Par. C 1 a)
28. C. A subordination clause places an existing loan in a junior position. This would be essential if the buyer of the property wishes to obtain a construction loan since construction loan lenders want to have first priority. (P.46 D 5)
29. A. When a loan is assumed the original borrower is usually still secondarily liable. Since there was also a substitution of liability in this instance, Brown is relieved of all liability. (P. 46 Par. D 7)
30. B. The Map Act is concerned with the physical development of a subdivision and a subdivider is required to prepare a map and file it with the city or county. (P. 85 Par. Map Act)
31. A. Under any type of co-ownership, each owner has an equal right of possession. This means that any owner can go anywhere on the property regardless of the percentage of their overall interest. (P. 18 Par. C 1)

32. B. A subdivider in 1930 may have placed a restriction that all homes must be at least \$30,000 in value. This would be designed to protect all owners in the subdivision to see that adequate size homes would be built. With inflationary trends over the years, this limit would not have much benefit for those owners today. (P. 18 Par. A 3)
33. C. A lease or leasehold estate is also known as a chattel real or an item of personal property. The contract gives an interest in real property but this interest is only personal property. (P. 78 Par. A 3)
34. A. Property purchased at a sale of the property due to delinquent taxes is bought subject to all other existing liens, including trust deeds. (P. 95 Par. C 4)
35. C. The beneficiary is the lender, the trustor is the borrower. (P. 45 Par. C 4)
36. B. When the dominant and servient tenement come under one owner, we have a merger of title and this terminates the easement. (P. 6 B Par. F 3)
37. B. The appraiser bases his appraisal of facts obtained from his survey and the result is his estimate as of a specific date. He cannot be expected to foresee what will happen tomorrow or in the future with regard to the value. (P. 57 Par. Concepts)
38. C. Effective gross income is the term used to indicate the amount remaining after deducting vacancies from the gross income. (P. 61 Par. C 2 b)
39. B. This covenant or promise, even if not written into the contract, exists in every lease. In the covenant the landlord promises not to disturb the tenant in any way. The landlord cannot be held liable or responsible for noisy neighbors and the tenant or the landlord may have to take legal action to solve the problem. (P. 80 Par. D 6)
40. B. For income tax purposes, eminent domain proceedings are known as involuntary conversion. (P. 10 Par. F 1)
41. D. With full employment and a high level of national production, people will be earning more money which in turn, will increase the demand for housing and the cost of homes. (P. 57 Par. B 3 a)
42. A. Under an open listing, the broker that is the procuring cause is the one who earns the commission. It also allows the owner to sell the property himself or herself without paying a commission. (P. 38 Par. C 6)
43. B. The title company will demand proof of emancipation to be sure that the grantor is competent to convey title. (P. 71 Par. B 1 c)
44. D. The escrow holder is an agent for both parties to the transaction. This relationship is greater than that of an employee. P. 72 Par. Escrow)
45. C. If the seller allowed the broker to represent him in dealings with third parties, the seller is responsible for all acts including any misrepresentations made by the broker. The creation of an agency relationship is not dependent upon a written contract. It is true, however, that a broker must have a written agreement in a suit for a commission. (P. 33 Par. C 1 c)
46. B. The broker generally acts for the seller as the agent of the seller. If the broker goes beyond his authority then he is representing the buyer for those acts. (P. 24 Par. D 2)

47. B. The entire idea behind the law is to tell a borrower how much they are paying in the way of financing charges and what it works out to be on an annual percentage rate. (P. 52 Par. C)
48. A. A straight note calls for payments of interest only during the term but does not require any payment towards the balance or face amount of the loan. (P. 44 Par. A 1)
49. A. Once a building has been constructed on a given piece of land it cannot be moved. A developer must use good judgment when selecting a site. A poor selection may lead to a substantial economic loss. (P. 4 Par. Real Property)
50. C. One of the requirements before a zoning ordinance is considered lawful is that it promotes the general health, safety and welfare of the community. (P. 86 Par. B 1)
51. C. Economic obsolescence is caused by outside influences such as zoning laws, inflation, depression, deteriorating neighborhood or freeway noise. These types of influences are usually impossible to correct. (P. 62 Par. A 3)
52. D. In this situation, the broker is not acting in the capacity of an agent but as a principal and should advise the purchaser of his or her position. (P. 24 Par. C 2)
53. C. Wear and tear is a form of physical deterioration and not a form of obsolescence. (P. 62 Par. A 1, 2 & 3)
54. D. When a trustee forecloses they record a notice of default and wait three months to see if the borrower can reinstate the loan. If the borrower does not, they proceed with the Notice of Sale. (P. 45 Par. B 1)
55. B. The husband or the wife is permitted to sign a contract for the sale of community real property but the other spouse would have one year in which to void the sale. This makes the sale agreement voidable during that year. (P. 18 Par. D 2)
56. C. The land that is subject to an easement is said to be burdened or encumbered. It might be restricted but we use the term encumbered in lieu of that term. (P. 6 A Par. B 2)
57. A. The statement of the question is a good definition of the word "license". (P. 6 A Par. A 2)
58. A. When most of the mortgage lenders have substantial sums available for mortgage loans, they usually reduce their interest rates to attract borrowers from competing lenders. The other three business conditions mentioned in choices "B", "C" and "D" tend to drive rates up. (P. 51 Par. A 2 b)
59. A. Original cost of the improvement has very little effect on today's market value. (P. 57 Par. A)
60. B. Under the subordination clause, the beneficiary (holder of the note) allows the borrower to obtain additional financing at a later date with this later financing having first priority. (P. 60 Par. D 5)
61. B. Adverse use of the property must be done openly and notoriously against the will of the owner but this does not mean a public confrontation. (P. 6)
62. B. Under an exchange agreement, the real estate licensee acts for both parties. This is one instance where he could earn a commission from each party to the transaction. (P. 99 Par. Exchanging)
63. B. The statement of choice "B" is a good definition of a "seasoned" loan. (P. 44 Par. C 3)

64. B. An appraisal must be made on the property but this is not done by FHA. (P. 53 Par A)
65. D. All of the items mentioned in choices "A", "B" and "C" would help to create a tight money market and slow an inflationary trend. (P. 51 Par A 2)
66. C. The R indicates residential use; the 4 indicates multiple units. (P. 86 Par B 3)
67. B. The statement of the question is a good definition of gross scheduled income. (P. 60 Par. C 1 a)
68. D. Any one of the actions mentioned in choices "A", "B" or "C" is considered a default under the loan terms and could lead to a foreclosure. (P. 45 Par. B)
69. B. A buyer would be interested in the net profit. The gross sales are fine, but if the expenses eat up all the profits, it would not be a worthwhile purchase. (P. 73 Par. Business Opportunities)
70. D. The end result of a profit and loss statement is to ascertain net income. (P. 74 Par. B 4)
71. D. Personal property can become real property; it can be used as security for a loan (hypothecated) and the title can be conveyed (alienated). (P. 4 Real Property)
72. C. It is permissible for the broker to take a personal check with the offer, but he must disclose this fact to the principal prior to presentation of the offer. (P. 24 Par. C 2 c)
73. C. Under the Cal-Vet program, the State sells the property to the veteran under a land contract and under this contract the veteran receives possession of the property. (P. 54 Par. C 3)
74. C. $\$60 \times 12 = \270 per year
 $\$270 \div 8\% = \$9,000$
75. A. The appraiser only intends his estimate of value to be valid as of the day the appraisal is issued. Facts established today could drastically change tomorrow and he could not be held accountable for these possible changes. (P. 57 Concepts)
76. D. Under the program, the state buys the property and sells it to the Vet on a contract of sale, holding title until the contract is paid off. (P. 54 Par. C)
77. D. Functional obsolescence is a result of deficiencies within the property and not those that surround the property. The use of massive cornices on buildings is an outdated form of architecture. (P. 62 Par. 2 a)
78. B. In the cost approach, the appraiser attempts to establish the value based on the cost to reproduce a like structure using today's costs and materials. If the building is old and of a poor design, it would be difficult to establish its reproduction cost as well as the loss due to depreciation. (P. 60 Par. B 3 c)
79. C. The right to string wires grants an easement in gross which is an encumbrance on the property. (P. 6 A Par. B 2)
80. C. One of the ways to appoint an agent to represent you is to give that individual the power of attorney. That party becomes your agent and your attorney-in-fact. (P. 23 Par. Agent)
81. C. In order to make the prorating easier, escrows consider every month to have 30 days and with 12 months in a year, you have a 360 day year. (P. 73 Par. C 2)

82. B. The statement of the question is a fine definition of an affirmation. (Page 6 B)
83. C. Sellers and their agent must disclose all material facts about the property. The fact that the plumbing was faulty was a material fact and it must be disclosed to a prospective buyer, whether the buyer asks about it or not. (P. 24 Par. C 4)
84. A. To refer to an exchange of real property as being "tax free" is incorrect. Usually one of the parties escapes taxes on the exchange but that party will eventually have to pay taxes at a later date. The tax is merely deferred. (P. 99 Par. Exchanging)
85. C. A valid deed must have a granting clause or some other words to indicate that the grantor wishes to transfer the property to the grantee. The other points mentioned in the choices "A", "B" and "D" are not necessary. (P. 9 ar. A 1)
86. B. The authority given to the City or the County to create zoning restrictions is that obtained under Police Power. Zoning restrictions are only considered valid if they protect the public health, safety, morals or general welfare of the public. (P. 86 Par B 1)
87. D. A balloon note refers to a note that has a balloon payment at the end of its term. This means the note is not completely paid off at the end of its term and is only partially amortized.
(P. 44 Par. B 2)
88. C. The trustor (owner and borrower) remains in possession of the property until the final sale by the trustee at the trustee's sale. (P. 45 Par. B 3)
89. B. The age at which a single person is considered an adult is 18. (P. 31 Par B 1)
90. B. Under the Cal-Vet program, the state buys the property and then resells it to the veteran under a real property sales contract. (P. 54 Par. C 3)
91. D. $1,780' \times 1780' = 3,168,400$ sq. ft.
 $3,168,400 \div 43,560 = 72.736$ acres
92. D. Real estate agents must not take it upon themselves to make any judgments as to the qualifications or desires of the buyer if there is any possibility that their judgment or decision could be considered discrimination based on race. The only justifiable reason the agent could use to refuse to show the home would be that listed in choice D.
(Statement of Fact)
93. B. A fee simple absolute estate is the greatest interest a person can have in land and it is of "indefinite duration" and can be disposed of during the owner's life or upon their death. A less-than-freehold estate refers to the lease. (P. 17 Par. A 1)
94. A. One of the reasons why the value of property is upheld at its highest level is conformity. Where there is a reasonable degree of conformity with a given neighborhood, values are usually upheld at their highest level. Mixing of average priced homes in an area of high valued homes would adversely affect the higher valued homes. (P. 59 Par. D 7)
95. C. The sellers had hired the broker to act as their agent in the sale of the property. Under the agency agreement, the broker owes a fiduciary responsibility to that person. This means they owe the highest good faith and trust to this party. His disclosure to the buyer would be a violation of this fiduciary relationship. (P. 24 Par. C 2)
96. B. A variable rate mortgage or adjustable rate mortgage allows the lender to increase or decrease the interest rate during the term of the loan, usually based in a change in the cost of funds encountered by the lender in the money market. (P. 44 Par. A 3)

97. A. The intent of all the Fair Housing Laws is that the agent treat all customers in the same manner. The law does not specify any minimum number of homes to be shown. (P. 89 Par. C)
98. C. Under the installment sale, the seller spreads the gain that was realized over a great number of years. This is a considerable savings when compared to the tax that would be required if the sale was reported at one time in one year. Reporting a sizable gain in one year would push the individual into a very high tax bracket and would result in high taxes on the gain. (P. 98 Par. D)
99. D. Under the Cal Vet loan program, the State of California is considered the lender and they do not charge any points at the time the loan is made. (P. 54 Par. C 4)
100. B. When the government sets down controls relating to land use, planning or zoning, it is an example of Police Power. Eminent Domain is where the government will take private property for public use and pay just compensation. Under Police Power, they control, but do not pay. (P. 86 Par B 1)
101. D. Any type of eviction must be through court action. If the eviction is the result of non-payment of rent, the first step is to serve the tenant with a 3-day notice, but this is not the complete proceeding. (P. 81 Par. G 3)
102. C. $\$573.75 \times 4 = \$2,295$ Interest for one year
 $\$2,295 \div \$27,000 = .085$ or 8.5%
 Closet is 8.6%
103. B. Race restrictions are illegal and unenforceable today. (P. 17 Par. A 3)
104. C. A deed delivered after the death of the grantor is invalid and void. If the son were to receive the deed under these circumstances, there would be a definite question of proper delivery. (P. 9 Par. A 6)
105. D. Since Brooks gave notice of an interest in the property by taking possession, his rights will prevail. It is essential that an interested buyer not only check the records but also investigate the interest of anyone in possession. (P. 10 ar. A 9)
106. B. Under a joint tenancy, there is only one title to the property. Joint tenancy is said to be a single estate. (P. 18 Par. B 1)
107. C. Most buyers receive only a standard policy of title insurance. The lender usually receives an ALTA policy. (P. 71 Par. B 1)
108. B. Although an inspection report is available to anyone that requests a copy from the state board, a copy is delivered to the buyer only when it is a condition of the purchase agreement or financing. (P. 40 Par: D)
109. B. If there are a greater number of buyers for a fewer number of properties that are for sale, prices will be driven higher and the situation creates a "seller's market". (P 58 Par. D 1)
110. A. This situation is a good example of the practice known as "compensating balances". (P. 50 Par. A 3 c)
111. A. Percolation is the process in which surface water seeps into the soil. A test indicates the speed or slowness of the process of absorption. (P. 5 Par. E 3)

112. A. If the broker has two offers on a property, both offers must be presented at the same time or the seller must be advised that another offer is coming when he or she presents the initial offer. (P. 24 Par. C 2 b)
113. A. Riparian rights gives the landowner the right to take water from a river or other watercourse that is flowing past the land. Littoral rights gives the party the right to take water from a lake or ocean. (P. 5 Par. E 1)
114. D. A joint tenancy can be created in any of the ways described in choices "A", "B" or "C". (P. 18 Par. B 1 b)
115. D. The abbreviation of "Agt" or "Bro" is acceptable. (P. 26 Par. A 7)
116. D. The trust deed that was recorded first will have first priority. (P. 46 Par. E 4)
117. B. When an existing loan is being assumed by the buyer, the closing statements will show a credit to the buyer and a debit to the seller. (P. 73 ar. C 1 b)
118. D. The fact that there is a balloon payment on this note that is being paid off on a monthly basis (amortized) makes it a partially amortized note. (P. 44 Par. B 2)
119. D. A person is not considered incompetent until the courts have adjudged the person to be so. (P. 31 Par. B 1 b)
120. D. Misrepresentation of a material fact that causes severe damages could lead to a loss of license as well as civil and criminal action. (P. 24 Par. D 2 c)
121. B. Under an assignment of a lease, the assignee steps into the shoes of the original lessee or tenant and becomes the new tenant or occupant of the property. (P. 80 Par. E 1)
122. A. The buyer under the contract becomes known as the equitable owner and usually receives possession of the property when the contract is executed. (P. 47 Par. R.E. Sales Contract)
123. B. Since Evans was a minor at the time the deed was executed, the deed is void. The fact that improvements were made on the property is irrelevant. (P. 31 Par. B 1 a)
124. D. A party that takes an option on property is under no obligation to disclose to the optionor what they intend to do with the property after exercising the option. The only time the optionee would be required to disclose anything is if that person were a licensee or the agent of the optionor. In this instance the original seller can do nothing. (P. 31 Par. B)
125. D. Most courts would agree that the broker should have disclosed his interest in the investment company that was purchasing the property. The safest course for the broker if there is a doubt, is to disclose his and the salesperson's interest. (P. 24 Par. C)
126. A. Property taxes and assessment liens have priority over all liens, regardless of recording dates. Taxes and assessments are on a parity with each other. (P. 96 Par. Special Assessments)
127. A. A minor cannot enter into a valid and binding listing or most any other contract because he or she lacks capacity. The listing is an employment contract and has nothing to do with the fact that the minor couldn't negotiate a sale anyway. If capacity is lacking, the contract was void from the start and there never was a contract. (P. 31 Par. E 1)

128. D. Anyone who pays the fee may obtain a certified copy of any inspection report that has been made by a licensed pest control operator. (P. 40 Par. D)
129. D. All choices listed in "A" , "B" and "C" are ways of defining value. (Definitions)
130. B. One acre = 43,560 square feet
 $43,560 \div 200 = 217.+$
 $217 \div 4 = 55'$ nearest
131. A. The Statute of Frauds states that a contract hiring an agent must be in writing. The listing contract is merely an employment contract, it cannot be recorded and therefore would not be acknowledged. (P. 33 Par. C 1 c)
132. C. No policy will cover every form or possible risk that might come up with relation to the ownership of property. It does not cover effects of zoning. (P. 72 Par. 3)
133. B. Appurtenant easements "run with the land" and automatically pass to future grantees, whether mentioned in the deed or not. (P. 6 Par. A)
134. C. The action by the licensee would be described as panic selling and is considered a violation of the Real Estate Law. (P. 25 Par. A 5)
135. C. Since there are usually a great number of restrictions, it is impractical to place them in each deed. The better method is to record the restrictions and make reference to them in each deed.
136. D. A commercial acre is the area remaining from an acre of land after deducting the needed space for streets and alleys. (P. 63)
137. D. All points mentioned in choices A, B and C would be considered misrepresentation. (P. 23 Par. Agent)
138. D. Death or incapacity of either the principal or the agent will cancel the agency relationship. (P. 25 Par. F 6)
139. A. Any licensee using the term "Realtor" who is not a member of the National Association of Realtors is in violation of the law and it is grounds for revocation or suspension of his or her license. (P. 26 ar. 6 a)
140. C. Even though the property is sold to the state for taxes, the owner will remain in undisturbed possession for the next 5 years. They will have to vacate if the state eventually sells the property for the taxes. (P. 95 Par. C 2)
141. D. The fair housing laws prohibit discrimination based on either sex or race. (P. 89 Par. A)
142. B. The fact that another offer is coming in must be disclosed. This would be considered a material fact. (P. 24 Par. C 2 a)
143. A. If the sellers prepaid the taxes, they would expect a return of the unused portion, which will be a credit. The seller usually pays for title insurance and delinquent assessment liens. The assumed loan is a debit to the seller. (P. 73 Par. C 1 b)
144. C. Property taxes and assessment liens have priority over all other liens but are on an equal (parity) basis with each other. (P. 96 Par. Special Assessments)
145. B. An easement is considered to be real property. Trade fixtures, trust deeds and mortgages are all classified as personal property. (P. 6 Par. A)

146. B. Avulsion is the sudden tearing away of land, erosion is the gradual wearing away. (P. 10 Par. C)
147. C. Since depreciation is a vital factor in the cost approach, the older the property the greater the amount of depreciation and the more difficult it is to establish the actual dollar amount. (P. 60 Par. B 3 c)
148. A. The narrative report is the one prepared by the MAI and is usually rather lengthy and the most comprehensive. (P. 59 Par. B)
149. A. Since market value is based on the "willing seller-willing buyer" concept, the appraiser would use the date the parties signed the contract. The value could change during the escrow, but the parties are already bound at the price set at the time they signed. (P. 59 Par. A)
150. D. A key essential in an exchange of real property is that the properties be "like for like". This means that you may exchange investment property for property held for the production of income or property used in a trade or business. It is all like for like. (P. 99 Par. A)