

# REAL ESTATE PRINCIPLES

## MID - TERM

1. Anything that is fastened or attached to real property permanently is considered to be:
  - A. Personal property
  - B. Real property
  - C. Private property
  - D. Separate property
  
2. A quit claim deed releases all present claims, rights and title of the:
  - A. Grantor
  - B. Grantee
  - C. Quitor
  - D. Either "B" or "C"
  
3. When a creditor wants to satisfy a judgment which was levied against another person, the creditor would:
  - A. Record an abstract of title
  - B. Obtain a writ of execution
  - C. File an attachment
  - D. Record a lis pendens
  
4. Before a mechanics lien is effective it must be:
  - A. Posted on the improved property during the construction period
  - B. Personally delivered to the property owner
  - C. Verified and recorded
  - D. Verified by an attorney at law
  
5. Discrimination by a real estate licensee based on race is:
  - A. A violation of the regulations of the Real Estate Commissioner
  - B. Against public policy
  - C. Unethical
  - D. All of the above
  
6. Upon the signing of a real property sales contract:
  - A. The legal title passes to purchaser
  - B. An equitable title passes to purchaser
  - C. No title to the real estate passes
  - D. All rights and interests of the seller pass to purchaser
  
7. All California Real Estate Laws are created by:
  - A. The Constitution
  - B. Acts of the legislature
  - C. The Real Estate Commissioner
  - D. The Department of Real Estate
  
8. The 36 sections in a township are numbered from 1 through 36. Section I is located in the:
  - A. Southwest comer
  - B. Southeast comer
  - C. Northeast comer
  - D. Northwest comer

9. Which of the following would be a discriminatory act under the Commissioner's Regulations?
- A. Posting a sign on the property indicating a preference for female renters
  - B. Designing an ad for general circulation appealing to persons of a specific religion to purchase within a given area
  - C. Refusing to list a property in an area occupied by persons of a race other than the licensee
  - D. All of the above
10. The type of interest usually charged on home loans is:
- A. Annuity
  - B. Prepaid
  - C. Compound
  - D. Simple
11. A landowner is notified by a railroad company that it plans to cross his property with a railroad line. If the landowner refuses, the railroad company can proceed by .the use of:
- A. Writ of replevin
  - B. Eminent Domain
  - C. Injunction
  - D. Partition action
12. Title to real property that is transferred by a will is considered:
- A. Intestate
  - B. Succession
  - C. A bequest
  - D. A devise
13. A real estate broker received 40 acres of land valued at \$300 per acre as a commission from the seller. Two weeks after escrow closed, the broker was offered \$400 per acre for the land. If the broker accepts the offer he:
- A. Is guilty of making a secret profit
  - B. Would be acting unethically
  - C. Will be acting in an acceptable manner
  - D. Must notify the seller in writing of the profit
14. The words "procuring cause" would have an important meaning to which of the following?
- A. A dispute over commission on an open listing
  - B. The listing that does not have a final and definite termination date
  - C. The listing that is cancelled when the property is sold
  - D. The broker who has advertised the property for sale under an agency listing
15. Which of the following is not an essential element of a contract?
- A. Offer
  - B. Acceptance
  - C. Consideration
  - D. Performance
16. Under the Street Improvement Act of 1911, the city is authorized to assess each owner for the work completed. These improvements are assessed on the basis of:
- A. Square footage
  - B. Front footage
  - C. Amount of benefit to each owner
  - D. The increase in value to the property
17. The real estate tax fiscal year is for the period:
- A. January 1 through December 31
  - B. December 1 to November 30
  - C. July 1 through June 30
  - D. April 10 to April 10

18. The landmark case of the United States Supreme Court which prohibited discrimination in housing was:
- A. *Weinhoff vs. Morgan*
  - B. *Shaffer vs. Beinhorn*
  - C. *Jones vs. Mayer*
  - D. *Unruh vs. Rumford*
19. Most real estate syndicates that have been created in California have taken the form of a\*
- A. Corporation
  - B. Limited partnership
  - C. Joint venture
  - D. Real Estate Investment Trust
20. 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
21. Which of the following has the control over the approval of a subdivision under the Subdivision Map Act?
- A. Real Estate Commissioner
  - B. State Contractors License Board
  - C. Planning Commission
  - D. County Board of Supervisors
22. A grant deed:
- A. Warrants that there are no encumbrances on the property being conveyed
  - B. May be used to transfer both real and personal property
  - C. Warrants that the property has not been previously conveyed by the grantor
  - D. May be delivered conditionally
23. When an appraiser analyzes the rent while using the income approach, he should base his appraisal on which of the following characteristics of the income?
- A. Durability
  - B. Quality
  - C. Quantity
  - D. All of the above
24. An income property was appraised for \$1 00,000 based on a 6% capitalization rate. If an investor used an 8% capitalization rate, the value of the property would be:
- A. \$60,000
  - B. \$75,000
  - C. \$80,000
  - D. \$90,000
25. Which of the following appraisal reports would be the most comprehensive and complete?
- A. Narrative
  - B. Certified
  - C. Letter
  - D. Printed form
26. Once an abstract of judgment is recorded it remains a lien on all real property for:
- A. One year
  - B. Three years
  - C. Five years
  - D. Ten years

27. If a note in the amount of \$22,250 specifies monthly payments over a period of 30 years at 6.6% interest per annum, what is the first month's interest payment?
- A. \$111.25
  - B. \$122.38
  - C. \$130.71
  - D. \$140.50
28. "Duress" is a term which is most closely associated to matters concerning:
- A. Easements
  - B. Contracts
  - C. Condemnation
  - D. Adverse possession
29. Which of the following statements is true with respect to an option? An option is:
- A. Valid without consideration
  - B. Valid if the consideration is exactly \$10 but is not delivered
  - C. Valid if consideration is delivered even if it is less than \$10
  - D. Not valid if the delivered consideration is less than \$10
30. The term "Realtor" is a trade name and only persons who are members of which of the following organizations have the right to use the term?
- A. American Institute of Real Estate Brokers
  - B. State Real Estate Commission
  - C. National Association of Realtors
  - D. National Association of Real Estate Boards
31. The California State agency that governs the issuance of liquor licenses is the:
- A. State Board of Equalization
  - B. State Franchise Tax Board
  - C. Board of Supervisors
  - D. Department of Alcoholic Beverage Control
32. The gross multiplier method of appraisal would be of little value when appraising:
- A. Commercial property
  - B. Residential property
  - C. Apartment buildings
  - D. Public buildings
33. Blank, special, restrictive, and qualified are all terms used to specify types of:
- A. Liens
  - B. Leases
  - C. Contracts
  - D. Endorsements
34. The phrase in a loan contract that specifies "all due and payable upon the happening of a certain event" would be classified as:
- A. An exculpatory clause
  - B. An escalator clause
  - C. A release clause
  - D. An acceleration clause
35. When a property is sold during a tight money market and the existing loan contains an alienation clause, which of the following is most likely to occur?
- A. Buyer will assume the loan on existing terms
  - B. Seller would refinance the property before the sale
  - C. Buyer will take title "subject to" the loan
  - D. Buyer will secure new financing

36. Which of the following would be considered a quiet title action?
- A. Purchasing property through a dummy buyer
  - B. An action to remove a noisy tenant
  - C. A foreclosure action
  - D. Court action to remove a cloud on the title
37. 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
38. Which of the following acts of a real estate licensee would not be a violation of the real estate law?
- A. Taking a net listing
  - B. Failure to put a final and definite termination date on an exclusive listing
  - C. Failure to give a copy of the contract to the person who signs it at the time they sign it
  - D. Taking an option together with a listing and neglecting to notify the seller in writing the expected amount of profit prior to executing the option
39. A corporation is prohibited from holding title to real property in California with any one as a joint tenant because:
- A. It is a violation of the Securities Act
  - B. Of its perpetual existence
  - C. It is difficult to list all stockholders in the deed
  - D. A corporation cannot hold title to real property
40. Charles died intestate and left a \$60,000 estate but no heirs. His estate would:
- A. Revert to the state
  - B. Escheat to the county
  - C. Be held for five years by the state and then revert to the county
  - D. Be given to a charitable organization
41. When land gradually builds up as a result of the action of water, it is known as:
- A. Evaluation
  - B. Reliction
  - C. Erosion
  - D. Accretion
42. A first trust deed can usually be distinguished from a second trust deed by the:
- A. Heading of the recorded document
  - B. Information contained in the note
  - C. Recorder's margin notation
  - D. Time and date of recordation
43. A lender agrees to make a loan on a large commercial complex provided the borrower gives the lender a 2% interest in the ownership. This type of a loan would be known as a\*
- A. Package loan
  - B. Participation loan
  - C. Closed-end loan
  - D. Takeout loan
44. Which of the following is not a requisite for creation of an enforceable leasehold agreement?
- A. Amount of rental payments
  - B. That rent payments be made in advance
  - C. Length of time that lease will continue
  - D. Description of the property

45. Which of the following is not an essential to the validity of a deed?
- A. Payment of financial consideration
  - B. Competent grantor
  - C. Description of the property
  - D. Delivery of the deed
46. The trust deed and note on a conventional loan is held by the:
- A. Lending institution
  - B. Federal Government
  - C. The seller
  - D. The trustee
47. When a Cal-Vet wishes to purchase a home and use his or her California veterans benefits he or she would make application to the:
- A. California Veterans Administration
  - B. Department of Veterans Affairs
  - C. Federal Housing Administration
  - D. An institutional lender
48. A real estate subdivider who resides in Hawaii is required to comply with various laws if he wants to offer his property located in Hawaii for sale in California. The law that he would be most concerned with would be the:
- A. California Subdivision Map Act
  - B. State Housing Act
  - C. California Real Estate Law
  - D. All of the preceding
49. If you wish to realize a \$37.50 per month income on an investment that represents a 9% return, the amount to be invested must be:
- A. \$4,500
  - B. \$5 000
  - C. \$416.67
  - D. \$4,166.67
50. Deed restrictions may be terminated in all of the following ways, except:
- A. Voluntary cancellation by grantee
  - B. Expiration of their prescribed period of duration
  - C. Merger of ownership
  - D. Quit claim deed from grantor
51. Permissive use of a road across real property would cause a prescriptive easement in:
- A. 5 years
  - B. 10 years if the buyer pays the taxes
  - C. 20 years
  - D. None of the above
52. To an appraiser, a definition of value is:
- A. A relationship between desirous persons and things desired
  - B. The ability of one commodity to command other commodities in exchange
  - C. The present worth of all the rights to future benefits arising from the ownership of property
  - D. All of the above
53. FHA has established certain MPR's that apply to loans that they insure. MPR is an abbreviation for:
- A. Market Price Ratings
  - B. Minimum Property Requirements
  - C. Maximum Probability Ratios
  - D. Mortgage Protection Rates

54. Under a construction loan, the final payment to the borrower is generally released when the:
- A. Lien period has expired
  - B. Owner has accepted the property
  - C. Notice of completion has been filed
  - D. Work has been completed
55. Recording a deed:
- A. Conveys title
  - B. Gives actual notice
  - C. Presumes delivery of the deed
  - D. Guarantees possession
56. An executrix of an estate is:
- A. Appointed by the probate court
  - B. Named in the decedent's will
  - C. Selected by the devisee
  - D. Appointed by the decedent's attorney
57. When a broker advertises a listed property for sale, the broker may not legally use an ad:
- A. Which does not give the price of the property
  - B. Without stating the kind of financing that is available
  - C. Which fails to state the street address of the property
  - D. That gives the impression that the broker is the owner of the property
58. A client hires a broker to buy a parcel of land for a specified sum on his behalf. The broker however purchases it for himself at a lower price and then sells it to his client at a higher price without revealing his costs. This is an example of:
- A. Secret profit
  - B. Divided agency
  - C. Smart dealing
  - D. False promises
59. An appraiser intends that the estimate of value as disclosed in his or her 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
60. An apartment building develops a net income of \$15,000. If it were sold at a price based upon a capitalization rate of 8%, the selling price would be:
- A. \$187,000
  - B. \$187,500
  - C. \$120,000
  - D. None of the above
61. 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

62. The person who most likely would make use of the legal remedy known as 'Unlawful Detainee' would be a-
- A. Trustor
  - B. Holder of a note in default
  - C. Lessor
  - D. Grantor
63. An estate in which a tenant who rightfully came into possession of a property, and who retains possession after the expiration of the term without the consent of the landlord is known as:
- A. A life estate
  - B. A periodic tenancy
  - C. An estate at sufferance
  - D. An estate at will
64. 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
65. 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
66. A restrictive covenant contained in a deed which prohibits sale to persons of a particular race will:
- A. Invalidate the conveyance
  - B. Have no effect in the conveyance and the covenant will not be enforceable
  - C. Create the power in the grantee to void the conveyance
  - D. Retain in the grantor the power to enforce the covenant
67. Which of the following would not be classified as a specific lien?
- A. An attachment
  - B. Property tax lien
  - C. Judgment
  - D. Mechanics lien
68. A title plant is a-
- A. Policy of title insurance
  - B. Clause in a grant deed
  - C. Collection of real estate records
  - D. Conventional lender
69. In a business partnership, if one of the partners dies, the surviving partner
- A. Becomes a partner with the heirs of the deceased partner
  - B. Operates the business until the heirs of the estate are able to assume the responsibility
  - C. Cannot transact any of the partnership business as death cancels the partnership
  - D. Becomes exclusive manager of the partnership business and retains title to the partnership property until he winds up the partnership business
70. Enforcement of the State Housing Law is Accomplished through the:
- A. Local building inspectors
  - B. Real Estate Commissioner
  - C. Corporation's Commissioner
  - D. State Contractor's License Board

71. The stated policy of the Real Estate Commissioner is to create a "color-blind" industry which can help society obtain voluntary, equal opportunity in fair housing. What does this mean?
- A. Maintain an attitude that is actually free from bias and color-blind to appearance
  - B. That race, creed or color is not a material fact in real estate transactions
  - C. Do unto others as you would have them do unto you
  - D. All of the above
72. State law requires that every city or county create a planning commission:
- A. When funds have been appropriated by local government
  - B. Without exception
  - C. After a master plan has been approved
  - D. Membership of which must be comprised of at least three members of the City Council and the County Board of Supervisors
73. If there is a conflict between the signed escrow instructions and the signed deposit receipt, which of the following would be binding?
- A. The escrow instructions
  - B. The deposit receipt
  - C. The broker's oral instructions
  - D. The general policy of the escrow office
74. A person that is employed by another to act on his or her behalf may be considered:
- A. An employee
  - B. An agent
  - C. An independent contractor
  - D. Any of the above
75. To hold real property as tenants in common, individuals must:
- A. Be husband and wife
  - B. Hold equal interests
  - C. Arrange for possession
  - D. Hold undivided interests
76. The lease contract is considered:
- A. Real property
  - B. Personal property
  - C. A freehold estate
  - D. None of the preceding
77. An estate of inheritance or a perpetual estate would be,
- A. An estate for years
  - B. A fee simple estate
  - C. Less than freehold estate
  - D. A life estate
78. The end result of most profit and loss statements is to ascertain:
- A. Net worth
  - B. Total assets
  - C. Total liability
  - D. Net income
79. When a listing is signed by a seller and a broker, a fiduciary relationship is created between the broker and the:
- A. Seller
  - B. Buyer
  - C. Seller and buyer
  - D. General public

80. Which of the following would not be classified as an institutional lender?
- A. Insurance company
  - B. Mortgage company
  - C. Savings and loan association
  - D. Commercial bank
81. 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 it being a falsehood
  - C. The representation caused the aggrieved party to enter into the contract
  - D. All of the above
82. Most real estate contracts are in writing on preprinted forms. Some of the terms of these contracts must -be written in and other parts are preprinted. In the interpretation of such contracts:
- A. Printed parts take precedence over the written parts
  - B. The written parts and the printed parts are given equal consideration
  - C. The written parts take precedence over the printed parts
  - D. If any conflict exists between the written and the printed part, the contract is void
83. A cautious buyer paid \$200 for a four-month option to purchase a property for \$30,000. Under these circumstances, each of the following are true except: \_:
- A. Optionee has given adequate consideration
  - B. Optionee has created a legal interest in the property
  - C. Optionor's temporary surrender of right to sell is "valuable" consideration
  - D. The agreement imposes no obligation on the optionee to purchase the property
84. According to the provisions of both federal and state civil rights legislation, discrimination due to race, color, creed or national origin in housing is:
- A. Unenforceable
  - B. Unlawful
  - C. Illegal
  - D. All of the above
85. Which of the following is generally demanded in every sale of real property in California?
- A. A warranty deed
  - B. An abstract of title
  - C. A policy of title insurance
  - D. A trust deed
86. An appraiser in analyzing the data for his final estimate of value on a property would give least consideration to:
- A. The assessed value of the property
  - B. The value of the land
  - C. Comparisons of other properties
  - D. Its highest and best use
87. Which of the following is not considered in determining whether an item of property is a fixture?
- A. Method of attachment
  - B. Relationship of parties
  - C. Cost of item
  - D. The adaptability of item attached
88. The commission to be paid to a broker in a probate sale is set by the:
- A. Executor
  - B. Administrator
  - C. Court
  - D. Estate manager

89. A formal declaration before a notary public or other qualified official by a person who has executed an instrument, that such execution is his or her act and deed is called:
- A. An endorsement
  - B. An acknowledgment
  - C. A warranty
  - D. A guaranty of performance
90. The value of a commercial property is set at \$400,000 by using a net income of \$36,000 and a 9% capitalization rate. If you used a 12% capitalization rate, the value of the property would be:
- A. \$250,000
  - B. \$300,000
  - C. \$450,000
  - D. \$423,000
91. One of the chief advantages of the market data approach in the appraisal of real property is that:
- A. It is the easiest method for a salesperson to learn and use
  - B. It is less time consuming
  - C. A great number of comparable properties are always available
  - D. Selling prices are always available at the county recorder's office
92. In comparing the cost of reproduction of two buildings of the same square footage, a two-story house usually:
- A. Costs more than a one-story house
  - B. Costs less than a one-story house
  - C. Costs the same as a one-story house
  - D.- Can't be compared with a one-story house
93. What is the annual interest rate on a \$16,000 loan when the interest payments are \$160 per quarter on the full amount? At least:
- A. 3%, but less than 4%
  - B. 4%, but less than 5%
  - C. 5%, but less than 6%
  - D. 6%, but less than 7%
94. Land which is subject to an easement is said to be-
- A. Appurtenant thereto
  - B. Encroached upon.
  - C. Encumbered
  - D. Restricted
95. Private restrictions on. use can include:
- A. Deed restrictions
  - B. Easements and rights of way
  - C. Leases and mortgage notes
  - D. All of the above
96. Under the law of Agency, a fiduciary relationship is created between the broker and the seller upon execution of the listing agreement. As far as the broker's responsibility to third parties, the broker:
- A. Must be fair and honest
  - B. Has no obligation
  - C. Need only disclose material facts When asked about them
  - D. Should disclose the lowest price the seller is willing to accept
97. A lease of real property for a fixed period of time at a set rate of rent creates:
- A. A lien on the property
  - B. An estate for years
  - C. A freehold estate
  - D. An estate in co-tenancy

98. All of the following are personal property except:
- A. Trade fixtures
  - B. Easements
  - C. Mortgages
  - D. Trust deeds
99. A valid deed vests title in the grantee when the deed is:
- A. Signed
  - B. Acknowledged
  - C. Notarized
  - D. Delivered
100. A valid recorded homestead will not protect the homeowner against a foreclosure of-
- A. A mortgage
  - B. A trust deed
  - C. A mechanic's lien
  - D. Any of the above

**Answer Sheet**  
**Real Estate Principles Mid-Term May 2007**

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