

California Real Estate Practice ~ Final Exam ~ Robert Rooks Classes

1. When performing a CMA, what unit of comparison is used?
 - A. Size of living area
 - B. Entire property
 - C. Annual net income
 - D. Economic basis

2. A salesperson accepts a listing that does not explicitly authorize her to accept a deposit from an offeror. Will the salesperson be able to accept a prospective buyer's deposit?
 - A. The salesperson may not accept any deposit
 - B. The salesperson may accept the deposit, as that is within her implied actual authority
 - C. The salesperson may accept the deposit, but in relation to the deposit she will be acting as the buyer's agent
 - D. None of the above

3. The broker most likely to qualify for a commission is the one who:
 - A. communicated acceptance to the buyer
 - B. communicated the offer to the seller
 - C. obtained an offer
 - D. obtained an offer with a deposit

4. A broker who is not licensed as an escrow agent may handle an escrow for a real estate transaction:
 - A. under no circumstances
 - B. as long as he charges an escrow fee
 - C. as long as he does not charge an escrow fee
 - D. if he is acting as broker in the transaction

5. What is the best way to estimate the value of a relatively new, single-family, owner-occupied residential property?
 - A. Determining the cost of replacing the property, including all improvements
 - B. Comparing the property with similar homes that have sold recently
 - C. Using a recent appraisal report prepared for one comparable property
 - D. Any of the above

6. A broker received a \$50,000 deposit on a selling price of \$400,000. However, the buyer breached the contract, and the seller claimed that the buyer had forfeited the deposit. In this situation:
 - A. the seller may not retain any of the deposit
 - B. the seller may retain no more than 3% of the purchase price as liquidated damages
 - C. the seller could deduct any actual damages caused by the breach from the deposit
 - D. the seller may retain the entire deposit

7. Which of the following statements concerning commissions is correct?
 - A. Any agreement between cooperating brokers to divide a commission must be in writing
 - B. A broker may never collect a commission if a sale occurs after the listing period has expired
 - C. A seller under an exclusive agency listing may sell the property without being liable for a commission
 - D. Net listings are strictly illegal in California

8. Which of the following is not a requirement that must be met for the parties to treat the good faith deposit as liquidated damages?
- A. The good faith deposit must be at least 5% of the purchase price
 - B. The good faith deposit may not exceed 3% of the purchase price
 - C. The liquidated damages clause must be in either 10-point bold type or 8-point red type
 - D. The liquidated damages clause of the deposit receipt must be separately signed or initialed by the parties
9. A buyer is required in the deposit receipt to place in escrow four months' prorated shares of property taxes and hazard insurance. The applicable tax rate is \$1.50 per \$100 of assessed value; the assessed value of the property is \$400,000. The premium for a three-year hazard insurance policy is \$1,800. How much must the buyer place in escrow?
- A. \$1,650
 - B. \$1,750
 - C. \$2,150
 - D. \$2,200
10. An agent may collect a commission only for sales that are made during the listing period, unless:
- A. the listing agreement contains a liquidated damages clause
 - B. the principal signs a release clause
 - C. the listing agreement contains a protection period clause
 - D. the transaction is a tax-free exchange of properties
11. A broker acted as agent for both the buyer and seller in a transaction, and collected a commission from each party. However, he failed to disclose this fact to either party. Which of the following could happen?
- A. The broker could be subject to license revocation or suspension by the Real Estate Commissioner
 - B. The transaction could be rescinded
 - C. The broker could be denied payment of his commission
 - D. All of the above
12. Who pays the 1% service fee on an FHA loan?
- A. Seller
 - B. Borrower
 - C. Primary lender
 - D. Secondary lender
13. The phrase "time is of the essence" is most likely to be found in a/an:
- A. deposit receipt
 - B. listing agreement
 - C. grant deed
 - D. option agreement
14. An item's worth to its owner is referred to as:
- A. subjective value
 - B. market value
 - C. inherent value
 - D. objective value
15. Which of the following elements in the underwriting decision is the most difficult for the lender to evaluate?
- A. The value of the property securing the mortgage
 - B. The costs involved in originating the loan
 - C. The degree of risk involved in the mortgage
 - D. The conditions of the mortgage money market

16. A purchase is subject to an inspection contingency. The inspection reveals that the roof will need major repairs, but the seller's response is that she will only contribute \$1,000 toward the repairs. What will happen next?
- A. The buyer must decide whether to accept or reject the seller's offer
 - B. The transaction is automatically terminated and the good faith deposit is refunded
 - C. The contingency is deemed fulfilled and the transaction will continue
 - D. The seller has breached the contract and will be liable to the buyer for damages
17. A developer wants to purchase land for a subdivision and is comparing several different parcels. Which of the following statements is correct?
- A. Level land is most desirable because it's more consistent
 - B. Construction costs are higher in level areas
 - C. Development in hilly areas tends to be considered less attractive than development in level areas
 - D. Some irregularities in topography are considered desirable
18. A salesperson presented his broker with an offer from a prospective buyer and a good faith deposit in the form of a promissory note. The broker should tell the salesperson that:
- A. he should not have accepted the promissory note as a deposit
 - B. if the offer is accepted, cash must be substituted for the promissory note within fourteen days
 - C. the seller must be informed before accepting the offer that the deposit is a promissory note
 - D. he needed to obtain the permission of the seller before accepting the promissory note as a deposit
19. Which one of the following is an illegal act for a real estate broker in California?
- A. Using a net listing if the amount of commission is disclosed
 - B. Claiming a commission on an exclusive listing that had no specified termination date
 - C. Collecting a commission after the termination date on an exclusive listing has passed
 - D. Selling his own property and claiming a commission for income tax purposes
20. If Lillian, a real estate licensee, discloses information to a property owner about the race, creed, or color of a potential tenant or buyer, she:
- A. is merely fulfilling a fiduciary duty to her principal
 - B. has not violated any laws as long as she only disclosed the information in response to a specific request from her principal
 - C. has not violated any laws as long as she warned her principal that the information may not be used as the basis for any decisions
 - D. has impermissibly disclosed information to her principal
21. The maximum amount of discount points that can be paid by a borrower in a Cal-Vet loan is:
- A. no points
 - B. one point
 - C. two points
 - D. three points
22. Which of the following is not exempt from the escrow agent licensing requirement?
- A. A broker in her own transaction who charges a separate escrow fee
 - B. A broker in her own transaction who does not charge a separate escrow fee
 - C. A broker handling escrow for other brokers' transactions
 - D. An attorney at law
23. Compared to other investments, real property takes more time and effort to invest in, and must be purchased in more expensive units. Therefore, its return should be:
- A. higher than the return on bonds or first trust deeds
 - B. higher than the return on bonds, but lower than the return on first trust deeds
 - C. about the same as the return on bonds
 - D. less than the return on bonds or first trust deeds

24. If a broker is authorized through an agency agreement to negotiate a sale of property, but the seller strikes the portion of the listing form that provides for the authority to accept a buyer's deposit, then:
- A. he is therefore implicitly authorized to accept a buyer's deposit
 - B. he may accept a buyer's deposit but becomes the buyer's agent in regard to the deposit
 - C. he will violate the Real Estate Law if he accepts a buyer's deposit without the express authority to do so
 - D. he must be given express permission by the seller before being able to accept the buyer's deposit
25. When would an agent not have to comply with the requirement of presenting all offers to purchase to the principal?
- A. When the agent notifies the principal in writing that he will not present a particular offer
 - B. When a new offer is substantially lower than an offer already received
 - C. When the agent is acting under written instructions of the principal
 - D. When the agent is acting as a gratuitous agent
26. Under the terms of the Truth in Lending Act, borrowers in consumer loans must be informed of credit terms by the:
- A. loan broker
 - B. lender
 - C. seller
 - D. escrow company
27. In which of the following circumstances involving a sale of buyer's property contingency would the buyer not be entitled to a refund of her good faith deposit?
- A. Buyer removes contingency after the seller accepts a second offer and notifies the buyer under a release clause
 - B. The sale of the buyer's property collapses during the closing process, through no fault of the buyer
 - C. Buyer cancels agreement after the seller accepts a second offer and notifies the buyer under a release clause
 - D. The buyer fails to sell her home before the contingency deadline
28. Under the Fair Housing and Employment Act, a person who has suffered from discrimination in housing may receive:
- A. an opportunity to buy or rent the property if it is still available
 - B. an opportunity to buy or rent a similar property
 - C. money damages
 - D. Any of the above
29. Which of the following contingencies concerning the sale of the buyer's house would the seller prefer?
- A. Contingent on the buyer's acceptance of an offer to buy his current home
 - B. Contingent on the closing of the sale of the buyer's current home
 - C. Contingent on the receipt of funds from the sale of the buyer's current home
 - D. None of the above
30. If a lender uses a "debt service-income ratio," that refers to:
- A. the relationship between the loan balance and the loan amount
 - B. a capitalization rate
 - C. a tool for making loan underwriting decisions
 - D. a means of depreciating the property
31. Which of the following is not an advantage of FHA financing?
- A. Mortgage guarantee insurance that protects the borrower
 - B. Improved building standards nationwide
 - C. Lower payments enable lower-income buyers to acquire property
 - D. FHA borrowers may use a loan with a higher loan-to-value ratio than conventional borrowers
32. When a lender decides whether or not to make a real estate loan, which of the following would it be most concerned with?
- A. Availability of mortgage funds
 - B. Degree of risk involved
 - C. Key interest rates
 - D. Federal and state regulations

33. A real estate licensee is approached by a minority homebuyer who asks to be shown a specific home in a minority neighborhood. It is lawful for the licensee to assume that:
- A. the buyer is comfortable with in that particular neighborhood because of its ethnic composition
 - B. the buyer is interested in buying a home in a minority neighborhood
 - C. the buyer wants a particular size and style house
 - D. All of the above
34. A buyer of a house placed \$30,000 into escrow toward a purchase price of \$240,000. The buyer breached the contract and demanded return of his deposit. However, there is a liquidated damages clause in the deposit receipt, for the maximum amount allowed by law in California. How much should the buyer receive as a refund?
- A. \$7,200
 - B. \$8,100
 - C. \$22,800
 - D. \$37,200
35. A purchaser of a property is unable to close the deal without obtaining a smaller second loan to cover the remainder of the loan balance. Such financing is usually obtained from:
- A. pension funds
 - B. private lenders
 - C. savings and loan associations
 - D. commercial banks
36. Liquidation of a financial obligation through installment payments is known as:
- A. acceleration
 - B. alienation
 - C. amortization
 - D. conveyance
37. In real estate investments, capital turnover is:
- A. faster than other commodities
 - B. about the same as other commodities
 - C. slower than other commodities
 - D. about average as compared to other commodities
38. A seller accepts an offer from a second buyer and notifies the first buyer under a release clause. The first buyer decides to remove the sale of buyer's property contingency. What happens?
- A. The seller and first buyer will complete the transaction, assuming the buyer can still come up with a downpayment
 - B. The good faith deposit will be refunded to the first buyer
 - C. The second buyer will then be obligated to complete the transaction with the seller
 - D. The second buyer will be entitled to purchase the property only if she has made a good faith deposit
39. A broker, in dealing with the public, may not:
- A. delegate responsibilities to other persons
 - B. receive a commission from both buyer and seller
 - C. refuse to take a listing
 - D. remain silent as to material facts about the property that are known only to the broker
40. A deposit receipt stated that "time is of the essence." It also stated that the seller had five days to accept the buyer's offer. Which of the following is true?
- A. The offer is no longer valid after five days, even if the offeree tries to accept at that point
 - B. The offeror cannot revoke the offer during those five days
 - C. The offeree may not accept the offer until the fifth day
 - D. The offeror may revoke the offer at any point during those five days
41. Which of the following is not a cost to the buyer?
- A. Origination fee
 - B. Purchase price
 - C. Appraisal
 - D. Documentary transfer tax

42. The appraisal method that is the most readily adaptable for real estate brokers and salespersons is the:
- A. market approach
 - B. income approach
 - C. cost approach
 - D. capitalization approach
43. The speed with which assets may be converted into cash is called:
- A. diversification
 - B. liquidity
 - C. yield
 - D. leverage
44. Agency law is concerned with the duties and rights among:
- A. agent and principal
 - B. agent and third party
 - C. principal and third party
 - D. All of the above
45. Which of the following is not a desirable characteristic in a neighborhood?
- A. High level of owner-occupancy
 - B. High level of vacancies
 - C. High level of conformity
 - D. Gently rolling topography
46. A broker arranged a second deed of trust for a client. The loan was for \$4,000 over a five-year term. What is the maximum amount of commission and costs that the broker may charge the borrower?
- A. \$600
 - B. \$790
 - C. \$800
 - D. \$990
47. The parties must separately initial the appropriate paragraph if they agree to which form of dispute resolution?
- A. Mediation
 - B. Appeal
 - C. Arbitration
 - D. Lawsuit
48. A clause that states that all parties are legally required to meet all deadlines set in the agreement is a:
- A. habendum clause
 - B. granting clause
 - C. time is of the essence clause
 - D. compulsory clause
49. An agent putting together a listing proposal wants to estimate the value of a property. He should:
- A. use the assessed value of the property
 - B. use the selling prices of comparable properties
 - C. calculate the cost of building materials
 - D. All of the above
50. Rice purchased a vacant residence; the offer was presented by Rice's broker, Boardman. Before the transaction closed, Rice asked Boardman if it would be acceptable if he entered the house to paint it before taking possession. In this case:
- A. Rice has an equitable interest in the property and may enter as he wishes
 - B. Rice and the property's previous owner should sign an interim occupancy agreement
 - C. Rice may enter if he receives written permission from the property's owner
 - D. Rice may enter the property as his trespass would be considered de minimis by a court

51. Which of the following types of contingencies may take the form of a "hidden contingency" even if it is not expressly stated in the purchase agreement?
- A. Inspection contingency
 - B. Sale of buyer's home contingency
 - C. Subdivision contingency
 - D. Financing contingency
52. Peters requests that the agreement to purchase a house be made contingent on his accepting a job offer that will require him to move to the Los Angeles area. Such a contract would be:
- A. valid
 - B. voidable
 - C. illusory
 - D. unilateral
53. Which of the following clauses must a deposit receipt contain?
- A. Subordination clause
 - B. Safety clause
 - C. Contingency clause
 - D. None of the above
54. To collect her commission, a broker working under a non-exclusive listing must be able to prove that she:
- A. was licensed at the time of the transaction
 - B. was procuring cause of the sale
 - C. found a ready, willing, and able buyer
 - D. All of the above
55. After signing a deposit receipt, a buyer asks his broker if he may move in before the transaction closes. The broker should:
- A. tell the buyer it isn't allowed
 - B. request written permission from the seller
 - C. prepare a short-term lease for the period of occupancy
 - D. allow the buyer to move in immediately
56. A buyer needs a loan to purchase a property, and receives a loan approval from her bank. In which of the following circumstances might the financing contingency still fail to be fulfilled?
- A. The property receives a low appraisal
 - B. The inspection reveals that prohibitively expensive structural repairs are needed
 - C. The buyer is unable to obtain homeowner's insurance because of her previous claim history
 - D. All of the above
57. Which of the following will not limit the amount of a VA-guaranteed loan?
- A. Buyer's income
 - B. Certificate of Reasonable Value
 - C. Certificate of Eligibility
 - D. Maximum guaranty amount
58. A man owns a house and has a first deed of trust executed against the home. He has a substantial amount of equity in the home. He needs a loan of \$9,600 for college tuition for his son. A real estate broker arranges the loan, which is secured by the home. What document does the broker need for this transaction?
- A. Real property security statement
 - B. Broker's loan disclosure statement
 - C. Real property securities license
 - D. None of the above

59. A list of all the rental rates assigned to the various units in a property is called:
- A. a rent roll
 - B. a rental schedule
 - C. a rental list
 - D. a rental budget
60. Edison agrees to purchase a home from Walters, conditioned on receiving a \$425,000 loan from Paramount Savings and Loan. The contingency is for the benefit of which party?
- A. Edison
 - B. Walters
 - C. Paramount Savings and Loan
 - D. All parties to the transaction
61. A factory that will employ mostly women is moving into a town. The developer of a new subdivision in that town instructs the salespeople selling homes in the development to (1) create advertising that expresses a preference for single working mothers, and (2) sell in equal numbers to Asian, Hispanic, black, and Caucasian buyers. Once a quota for a particular group is met, increased prices will be charged in order to dissuade further members of that group from purchasing. Which of these instructions is in violation of the Federal Fair Housing Act?
- A. 1 only
 - B. 2 only
 - C. Both 1 and 2
 - D. Neither 1 nor 2
62. What adjustments are made by agents performing competitive market analyses?
- A. The subject property value estimates are averaged
 - B. The comparables are adjusted to reflect the characteristics of the subject property
 - C. The subject property is adjusted to reflect the characteristics of the comparables
 - D. All of the above
63. The types of businesses operated by tenants are usually of greatest concern to a manager of:
- A. retail property
 - B. office property
 - C. residential property
 - D. industrial property
64. During the summer, a buyer purchased a house with a tile roof. In the fall, though, when the first major rain came, the buyer noticed that the roof leaked in many places. When the buyer contacted the broker, the broker stated that the seller had mentioned problems with the roof, but the broker never brought it up with the buyer because "he didn't ask." If this case went to court:
- A. too much time has elapsed for the buyer to be able to collect damages
 - B. the buyer would not be able to collect damages under the doctrine of "caveat emptor"
 - C. the buyer could recover from the broker, but not the seller
 - D. the buyer could recover from the broker and the seller, who would in turn sue the broker for the amount she had to pay the buyer
65. The closing date is approaching but the buyers are still waiting for the loan to be approved. What would be the appropriate response to this problem?
- A. Use a rescission agreement
 - B. Use a written extension agreement
 - C. Use a financing contingency
 - D. Use an interim occupancy agreement

66. The interest rate of an FHA loan is determined by:
- A. the FHA
 - B. the FNMA
 - C. agreement between the seller and buyer
 - D. agreement between the borrower and lender
67. Which of the following documents would be used when a veteran purchases a home through the California Veterans Farm and Home Purchase Plan?
- A. Deed of trust
 - B. Mortgage
 - C. Special warranty deed
 - D. Land contract of sale
68. Equity in a real estate loan is best defined as:
- A. the initial downpayment on a property
 - B. the difference between the balance of a loan and the value of the property used to secure the loan
 - C. the interest that an owner has in a property after subtracting any liens against the property
 - D. All of the above
69. A real estate agent's relationship with her principal would be described as all of the following, except:
- A. agency relationship
 - B. fiduciary relationship
 - C. broker/client relationship
 - D. power of attorney
70. A person who suffered discrimination in housing may, under the Civil Rights Act of 1968:
- A. file criminal charges in federal court
 - B. bring a civil suit in state or federal court
 - C. file a complaint with HUD
 - D. Either (B) or (C)
71. Amuezca is buying a house. The broker recommends a lender. When Amuezca meets with the lender, the loan application asks for the applicant's race and marital status. Amuezca should:
- A. fully disclose his race and marital status so the application can be processed
 - B. refuse to disclose his race and marital status
 - C. sue both the broker and the lender for violating fair housing/lending laws
 - D. file a complaint with the Real Estate Commissioner
72. At what point in a transaction should you disclose in writing your agency status?
- A. At closing
 - B. When a party asks who you represent
 - C. Whenever performing any agency duties
 - D. Before a party signs an offer in the transaction
73. Which California state agency is responsible for receiving complaints of unlawful discrimination in housing?
- A. Department of Real Estate
 - B. Department of Fair Employment and Housing
 - C. Department of Housing and Community Development
 - D. Real Estate Commission

74. When a counteroffer is made:
- A. the offeree becomes the offeror
 - B. the offeror is accepting the terms without modification
 - C. the original offer is amended
 - D. the offeree can later go back and accept the original offer
75. The payment of a commission to a real estate broker based only on an oral listing is:
- A. illegal
 - B. contrary to public policy
 - C. permissible if the seller elects to do so
 - D. prohibited by the Commissioner's regulations
76. A broker received an offer and a deposit from a prospective buyer. The deposit was a promissory note for \$2,000 that was designated "pay to bearer." Which of the following statements is true?
- A. The deposit is not valid; it must take the form of cash or a check
 - B. A promissory note is considered the same as cash in a real estate transaction
 - C. The promissory note may be used as a deposit if the broker ratifies it
 - D. The seller must be notified that the deposit is in the form of a promissory note when the broker presents the offer
77. A real estate agent tells potential sellers that because minority groups are beginning to purchase homes in their area, property values are likely to fall. He encourages them to avoid this by listing their properties for sale now. Because of these tactics:
- A. the licensee is subject to discipline
 - B. the licensee is not subject to discipline
 - C. the licensee will be subject to discipline if he made these statements to minority sellers
 - D. the licensee is not subject to discipline if his supervising broker instructed him to use these tactics
78. Escrow instructions may be executed by:
- A. a buyer
 - B. a seller
 - C. a neutral party
 - D. Any of the above
79. A prudent lender who is deciding whether or not to make a real estate loan to a prospective borrower will ensure that:
- A. the market value of the property is greater than the loan amount
 - B. the borrower's credit is satisfactory
 - C. the borrower has adequate cash reserves after paying the downpayment and closing costs
 - D. All of the above
80. The loan-to-value ratio of a property is:
- A. the monthly payment amount as a percentage of the appraised value
 - B. the loan amount as a percentage of the appraised value
 - C. the loan amount as a percentage of the sales price
 - D. the sales price as a percentage of the appraised value
81. When compared to a CLTA policy of title insurance, an ALTA policy will offer additional protection against:
- A. an error in the statement of priority of recorded liens
 - B. a deed of reconveyance issued by a minor
 - C. the location of property lines determined by a formal survey
 - D. existing liens and encumbrances listed in the public records

82. Which of the following would be an advantage of extended coverage title insurance over standard coverage?
- A. Protection against forged deeds
 - B. Protection against recorded instruments
 - C. Protection against capital improvements being on your neighbor's property
 - D. Protection against lack of contractual capacity by a grantor
83. Which of the following policies of title insurance is used by most buyers of real property?
- A. Standard policy
 - B. ALTA policy
 - C. Certificate of title
 - D. Extended coverage policy
84. An agent is showing a property that belongs to a seller with AIDS. What should the agent do?
- A. Disclose this fact since it is a material fact
 - B. Disclose this fact only if asked
 - C. Never disclose this fact
 - D. Withdraw from the listing
85. When a title company issues an ALTA policy, it will extend the risk, beyond that which is covered by a standard policy, to include all of the following, except:
- A. the rights of parties in possession
 - B. unrecorded easements
 - C. the effect of zoning regulations
 - D. unrecorded mechanic's liens
86. A listing agreement that does not contain a complete legal description of the property is:
- A. void
 - B. unenforceable
 - C. voidable
 - D. valid
87. A broker brings his seller an offer from a potential buyer. If the seller inquires into the race of the potential buyer, the broker:
- A. must disclose this information to the seller
 - B. may disclose this information as long as it will not affect the seller's decision
 - C. may disclose the information after obtaining permission from the buyer
 - D. may not disclose this information because to do so would violate the Rumford Act
88. Disclosure of and consent to a dual agency:
- A. are not required in a transaction where both agents work for the same broker
 - B. must occur only after the parties sign the deposit receipt
 - C. must be in writing
 - D. allow the agent to promote the interest of one party over that of another party
89. When an owner mortgages a home, who does the equity belong to?
- A. the trustor
 - B. the trustee
 - C. the beneficiary
 - D. None of the above

90. The best indicator of market value is:
- A. Assessed value
 - B. Listed price
 - C. Reproduction cost
 - D. Market price
91. It would be improper for a property manager to receive compensation through:
- A. commissions on new leases
 - B. commissions on major repair jobs
 - C. discounts on purchases or supplies
 - D. a percentage of gross income
92. Buying property under an 'as is' contract is permissible under what circumstances?
- A. There is a full disclosure of all material facts by the seller and agent
 - B. The latent defects are clearly visible to an ordinary person
 - C. The buyer does not inquire as to whether there are latent defects
 - D. At any time
93. Which of the following is the seller of an older house NOT required to do?
- A. Disclose the location of any lead-based paint in the house
 - B. Remove or remediate any known lead-based paint
 - C. Give buyers a copy of an EPA pamphlet on lead-based paint
 - D. Allow buyers 10 days in which to inspect for lead-based paint
94. In a residential area, most of the homes are owner-occupied. This indicates:
- A. high rents
 - B. low occupant turnover
 - C. low rental vacancies
 - D. stable property values
95. Which of the following is an inadequate property description?
- A. N $\frac{1}{2}$ of NE $\frac{1}{4}$ of NE $\frac{1}{4}$ of Section 31 of T10N, R4W of San Bernardino Meridian
 - B. 32790 Grey Oak Drive, Yuba City, California, 95991
 - C. Beginning at Milepost 107 of Highway 28, then N along eastern edge of Highway 28 for 120 feet, then E to Quail Creek for 270 feet, then S along centerline of Quail Creek for 120 feet, then W for 270 feet to point of beginning
 - D. Lot 6, Block 14 of Newman's Addition as recorded on Page 172, Book 23 in the office of the recorder of Yolo County, California
96. In a monthly summary statement to the owner, the property manager would list all of the following as operating expenses, except:
- A. utility costs
 - B. property taxes
 - C. management fee
 - D. new roof
97. A property manager would likely be concerned with all of the following except:
- A. trends in family size and lifestyles
 - B. local employment levels
 - C. market rental rates
 - D. local commission rates on real estate sales

98. The Truth in Lending Act defines the annual percentage rate charged on a real estate loan as:
- A. total cost of credit expressed as a dollar amount
 - B. direct loan costs only
 - C. all loan costs expressed as a percentage rate
 - D. what percentage of the loan amount will be used to pay for closing costs
99. A broker negotiates the sale of a property. He is to receive a \$500 commission from the seller at closing. A week before closing, he receives a \$5,000 cash deposit. He is permitted to do which of the following?
- A. Place the entire \$5,000 in escrow, accompanied by instructions to send the \$500 commission to the broker
 - B. Place the entire \$5,000 in escrow
 - C. Keep \$500 cash as commission and place the \$2,500 balance in escrow
 - D. Deposit \$500 of the cash into a trust account and place the \$2,500 balance in escrow
100. A seller listed his property with a broker, and specified in the listing: "Seller not to receive more than 20% cash downpayment." The broker presented an offer to pay all cash for the property. The broker is entitled to:
- A. a full commission
 - B. half his commission
 - C. only his selling expenses
 - D. no commission

Answer Key

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

1. B

Explanation: In performing a competitive market analysis, an agent compares the sales prices of entire comparable properties.

2. C

Explanation: A listing agent who has not been authorized to accept a buyer's deposit but who does so anyway becomes the buyer's agent, but only in regard to the deposit.

3. A

Explanation: When a broker communicates the seller's acceptance to the buyer, that is the moment of the formation of the contract. There may still be contingencies that have to be satisfied, but this is the most important step in creating a contract.

4. D

Explanation: A broker that is not licensed as an escrow agent can handle the escrow for his own transactions.

5. B

Explanation: A competitive market analysis is adapted from the sales comparison approach to appraisal, which estimates a property's value by comparing it to similar properties that have sold recently.

6. B

Explanation: Assuming that the buyer and seller signed a liquidated damages provision in the deposit receipt, the buyer's breach of contract entitles the seller to keep no more than 3% of a residential property's sale price as liquidated damages.

7. C

Explanation: Under an exclusive agency listing, no commission is owed if the seller sells the property by himself. While listings need to be in writing, commission sharing agreements do not. A broker may receive a commission after the expiration of a listing period if the listing contained a safety or protection clause. Net listings are legal in California if the broker discloses the amount of his profit before the transaction closes.

8. A

Explanation: A good faith deposit may not exceed 3% of the purchase price for it to be treated as liquidated damages.

9. D

Explanation: First, calculate the annual property tax payment ($\$400,000 \div 100 = \$4,000$) ($\$4,000 \times 1.5 = \$6,000$). Find the monthly share of the annual taxes ($\$6,000 \div 12 = \500) and multiply by the number of months ($\$500 \times 4 = \$2,000$). Now calculate the monthly share of the three-year insurance policy ($\$1,800 \div 36 = \50) and multiply the monthly share by the number of months ($\$50 \times 4 = \200). Add the tax and insurance payments together for the total amount placed in escrow ($\$2,000 + \$200 = \$2,200$).

10. C

Explanation: If the listing agreement contains a protection period clause, there is a period after the termination of the listing agreement in which the broker may still receive a commission if the sale closes.

11. D

Explanation: An agent must fully disclose and obtain consent to a dual agency. Without consent, the agent is subject to disciplinary action. The parties may rescind the transaction and avoid paying a commission.

12. B

Explanation: The lender charges the borrower a 1% origination fee to initiate an FHA loan.

13. A

Explanation: "Time is of the essence" is a phrase that states that failure to comply with all deadlines is a material breach of the contract. It would be found in almost all contracts to transfer real property, such as a deposit receipt.

14. A

Explanation: Subjective value is the worth of an item to the item's owner. Subjective value is also referred to as utility value, as it reflects the usefulness of an object to a particular owner.

15. C

Explanation: The most difficult element in the decision whether or not to make a loan is assessing how risky the loan will be.

16. A

Explanation: If a seller will only contribute part of the costs of necessary repairs to a property that is subject to an inspection contingency, the buyer must decide whether to accept or reject the seller's offer. The buyer may also make a counteroffer and continue to negotiate on how to pay for the repairs.

17. D

Explanation: A subdivision on level land is not as aesthetically pleasing as one built on land with some hills and dips.

18. C

Explanation: A promissory note may be used as a good faith deposit, but the broker must disclose this fact to the seller when presenting the offer to the seller.

19. B

Explanation: A broker in California who does not include a termination date in an exclusive listing agreement will be subject to disciplinary action.

20. D

Explanation: A California Attorney General Opinion states that race, color, or creed is not a material fact and should not be disclosed, even at the request of a principal.

21. A

Explanation: No discount points are paid in a Cal-Vet loan. The only loan fees are a funding fee, an origination fee, an application fee, and the appraiser's fee.

22. C

Explanation: An attorney at law or a broker handling her own transaction is permitted to provide escrow services without being licensed as an escrow agent. However, a broker is not permitted to do so in a transaction in which she is not also acting as the broker.

23. A

Explanation: Because real property is more expensive and less liquid, it is considered riskier than other types of investments. Therefore, investors expect a higher return, or yield, from real property than from other investments.

24. B

Explanation: A broker who does not have the express authority to accept a buyer's deposit may still accept the deposit, but becomes the buyer's agent, only for purposes of the deposit.

25. C

Explanation: If the seller gives express instructions to the broker not to present any more offers, then the broker should not present further offers.

26. B

Explanation: Lenders are required under TILA to make a clear disclosure to a prospective borrower of the total cost of a loan.

27. A

Explanation: If the buyer removes the contingency upon receiving notice under a release clause, then the sale will proceed, and the good faith deposit will be applied to the purchase price.

28. D

Explanation: The law authorizes all of the above remedies for a person who has been discriminated against in the sale or rental of housing.

29. A

Explanation: A seller would prefer the contingency that is the easiest to fulfill. In this case, the contingency based on the buyer's acceptance is more likely to be fulfilled than a contingency based on closing the sale of the buyer's home, since there are many reasons a sale might collapse after acceptance but before closing.

30. C

Explanation: The debt service-to-income ratio is one of two income ratios (along with the housing expense-to-income ratio) that helps lender make decisions as to whether borrowers will be appropriate risks. If the ratio is too high, the application may be rejected.

31. A

Explanation: While FHA financing involves government-sponsored insurance of the loan amount, this is intended to protect the lender in the event of default, not the borrower.

32. B

Explanation: Because each loan is an investment, a lender's primary concern is minimizing the risk that the loan creates. It analyzes the risks posed by each potential borrower during the underwriting process.

33. C

Explanation: A licensee is not lawfully entitled to make any assumptions based on race.

34. C

Explanation: The maximum amount of liquidated damages allowed in a residential transaction in California is 3%. Three percent of \$240,000 is \$7,200. The buyer already has \$30,000 on deposit, so subtract \$7,200 from \$30,000 to find how much will be returned to the buyer ($\$30,000 - \$7,200 = \$22,800$).

35. B

Explanation: Most junior (or second) mortgages used in the purchase of a property come from private lenders, often the seller himself. This may be particularly common in times of high interest rates, when a buyer's purchasing power is severely limited.

36. C

Explanation: Amortization is a means of paying off a debt on an installment basis, where the amount paid toward principal increases as the amount paid toward interest decreases.

37. C

Explanation: Real estate investments are generally less liquid than stocks or commodities that may be sold relatively quickly and easily.

38. A

Explanation: If the first buyer removes the sale of buyer's property contingency, the sale may proceed, so long as the buyer can complete the transaction without cashing out the equity from his previous house. The second buyer will not purchase the property unless the first sale falls through.

39. D

Explanation: The broker's duty to disclose material facts is an affirmative duty, and a broker may not remain silent about material facts. While a broker may not refuse to take a listing for discriminatory reasons, there are many other reasons a broker may refuse a listing, such as a seller's insistence that the broker conceal latent defects.

40. A

Explanation: Time is of the essence means that all deadlines will be strictly enforced. So if the deadline for acceptance is not met, the offeror is under no obligation to honor the acceptance. The offeror may revoke the offer at any point during the five day period so long as the offeree has not yet accepted the offer.

41. D

Explanation: The documentary transfer tax on the sales price of the property is paid to the state by the seller.

42. A

Explanation: The market (or sales comparison) approach is the method used most often for single-family properties and vacant land.

43. B

Explanation: Liquidity is the ability to convert an investment into cash. Stocks and bonds are relatively liquid; real estate is not.

44. D

Explanation: Agency law governs all relationships among agents, principals, and third parties.

45. B

Explanation: A high level of vacancies in a neighborhood, unless it is still in the construction stage, indicates a neighborhood in decline.

46. D

Explanation: Under the Mortgage Loan Broker Law, the maximum commission rate for a junior loan of three years or more is 15%. Fifteen percent of \$4,000 is \$600 ($\$4,000 \times .15 = \600). Loan costs may be 5% of the loan amount or \$390, whichever is larger. Five percent of \$4,000 is only \$200 ($\$4,000 \times .05 = \200), so \$390 can be charged. Add \$600 and \$390 to arrive at a total charge of \$990.

47. C

Explanation: By agreeing to arbitration, the parties give up important legal rights. The parties must initial this paragraph for it to be enforceable, and the arbitration provision must contain a statutory notice telling them that they are giving up those rights.

48. C

Explanation: A "time is of the essence" clause states that failure to meet any contractual deadline is a breach of contract.

49. B

Explanation: Residential properties are typically appraised using the market data approach, which involves using the sale prices of comparable properties. A competitive market analysis uses the same techniques.

50. C

Explanation: Until the transaction closes and Rice takes possession, he must have the owner's permission to be on the property. This could take the form of simple written permission and would not require an entire rental or interim occupancy agreement.

51. B

Explanation: A buyer may need to sell his existing home in order to be able to make the downpayment on the purchase of a new home. If he is unable to sell his previous home, the purchase of his new home may collapse. This would be considered a "hidden contingency," since the purchase of the new home depends on an event that wasn't specifically mentioned in the purchase agreement.

52. C

Explanation: A contract would be considered illusory if one or both of the parties has the option of not performing the contractual duties. For instance, Peters may choose whether or not to accept a job offer, so he has complete discretion over whether the sale will take place. Such a contract is void.

53. D

Explanation: Contingency clauses are often included in deposit receipts, but are not required. A safety clause is common in listing agreements, while a subordination clause might be present in a mortgage or deed of trust.

54. D

Explanation: It is always a prerequisite for payment of a commission that the broker was licensed at the time of the transaction and that she found a ready, willing, and able buyer during the listing period. In a non-exclusive or open listing, the broker must also be the procuring cause of the sale.

55. B

Explanation: The property will belong to the seller until the transaction closes, so ordinarily the buyer cannot take possession until the closing date. The buyer will need permission to take possession earlier, and the seller might wish to draw up an interim occupancy agreement.

56. D

Explanation: Financing contingencies may be made contingent on the property appraising at the agreed sales price or higher or on receiving homeowner's insurance. A lender may also disapprove of a loan if the property requires extensive repairs and the parties cannot resolve the issue of payment for repairs.

57. C

Explanation: A Certificate of Eligibility does not limit a VA borrower's loan amount; it is simply a document stating that the borrower is eligible for a VA loan. The lender might choose to limit the size of a VA loan based on the maximum guaranty amount, so that it is able to recover all of its investment if the borrower defaults. It may also limit a loan amount based on the buyer's ability to repay the loan, as evidenced by the buyer's income. Finally, the Certificate of Reasonable Value can limit the loan amount, since the VA will not guarantee a loan amount larger than the appraised value of the property.

58. B

Explanation: If a real estate broker provides loan services, he must provide a disclosure statement to the borrower. The disclosure statement must list all costs involved in obtaining the loan.

59. B

Explanation: The rental schedule lists all the rental rates assigned to the different types of units.

60. A

Explanation: Contingencies are almost always for the benefit of the buyer. In this case, the buyer, Edison will not be compelled to go through with the sale if he cannot obtain the proper financing.

61. C

Explanation: 1 is a violation of the Fair Housing Act in that it involves advertising that expresses a preference or limitation. If an advertising plan were targeted toward single working mothers but did not express a preference or limitation, that would be legal. 2 is a violation in that buyers of different races receive different terms or conditions of sale.

62. B

Explanation: The comparable properties, whose values are known, are adjusted to the characteristics of the subject property, whose value is unknown.

63. A

Explanation: Retail property managers need to pay particular attention to the types of businesses operated by tenants, since the success of a shopping center is dependent on obtaining the right mix of businesses.

64. D

Explanation: Under the doctrine of vicarious liability, a person injured by an agent's acts may sue the principal as well as the agent. However, the principal may in turn sue the agent to recover the amount she paid the injured party.

65. B

Explanation: An extension agreement can extend the closing date until a later date so that the loan approval can be obtained.

66. D

Explanation: The FHA does not establish interest rates. The rate is established by agreement of the borrower and lender.

67. D

Explanation: When a home is purchased through the California Veterans Farm and Home Purchase Plan (generally known as Cal-Vet), the state purchases and holds legal title to the property, and sells the property to the veteran through a land contract.

68. D

Explanation: Any of these definitions is an acceptable definition for equity.

69. D

Explanation: A real estate agent ordinarily does not have a power of attorney over her principal, although she might be given power of attorney in unusual circumstances (for instance, a buyer will be out of the country and needs to enable the agent to bind him to a purchase contract).

70. D

Explanation: Under the Civil Rights Act of 1968, a person injured by discrimination may bring a civil action in state or federal court for money damages or injunctive relief. He may also file a complaint with the federal Department of Housing and Urban Development (HUD).

71. B

Explanation: According to the Housing Financial Discrimination Act, it is illegal for a lender to discriminate on the basis of race or marital status, and an applicant does not need to disclose his race or marital status on an application. Complaints are pursued through the Department of Fair Housing and Employment, not the Real Estate Commissioner.

72. D

Explanation: You must disclose your agency status in writing before a party to the transaction signs an offer.

73. B

Explanation: Complaints involving violations of the fair housing laws are submitted to the Department of Fair Employment and Housing.

74. A

Explanation: When a counteroffer is made, the original offer is terminated. Instead, a new offer is formed, and the offeree of the original offer becomes the offeror of the counteroffer.

75. C

Explanation: Ordinarily, a listing must be based on a written employment agreement to be enforceable. Even though a seller will not be bound to pay a commission to a broker if there is only an oral listing, he may still elect to do so.

76. D

Explanation: If the buyer's deposit is in the form of a promissory note, the broker must state this in the deposit receipt and disclose this fact to the seller.

77. A

Explanation: These tactics constitute blockbusting and the licensee will be subject to disciplinary action.

78. C

Explanation: A neutral third party, the escrow agent, provides escrow services. Neither the buyer nor seller executes escrow instructions.

79. D

Explanation: An underwriter will consider both the applicant's credit history and net worth. One important consideration in net worth is whether the borrower will have adequate reserves left over after closing. And the underwriter will also consider whether the value of the property is sufficient for it to serve as security for the loan.

80. B

Explanation: To calculate a property's loan-to-value ratio, divide the loan amount by the value of the property used as security for the loan. For instance, an \$80,000 loan on a \$100,000 property would have an 80% loan-to-value ratio.

81. C

Explanation: An extended (or ALTA) policy of title insurance will, unlike a standard (or CLTA) policy, require an inspection and survey of the property that will determine boundary lines and look for problems such as adverse possession or encroachments.

82. C

Explanation: Extended coverage title insurance policies add the benefit of offering protection against defects that may be discovered by a survey of the property, such as encroachments.

83. A

Explanation: Buyers will typically use a standard policy of title insurance; lenders will typically use an extended coverage (or ALTA) policy.

84. C

Explanation: Under California law, an agent is never required to disclose that a house was once occupied by a person with AIDS. While an agent may not intentionally misrepresent whether or not a person with AIDS occupied the property, an agent should not respond affirmatively to a third party's question on this matter; the Department of Housing and Urban Development advises that a truthful response to such an inquiry would be discrimination against the disabled.

85. C

Explanation: No policy of title insurance will insure against losses caused by governmental actions, such as zoning regulations.

86. D

Explanation: A listing agreement may be valid even though it does not contain a complete legal description of the property, so long as the description given allows the property to be located with certainty.

87. D

Explanation: The Fair Employment and Housing Act is also known as the Rumford Act. It prohibits discrimination in the sale, rental, lease, or financing of housing.

88. C

Explanation: Dual agency is legal in California only if it is disclosed and consented to in writing.

89. A

Explanation: The equity in the home belongs to the borrower, or trustor.

90. D

Explanation: Market value is the price a property will probably bring in an open market. Market price is a property's actual sale price.

91. C

Explanation: Unless the property owner has consented, property managers should refrain from taking discounts or commissions on purchases, supplies, or contracts.

92. A

Explanation: An 'as is' contract does not relieve the seller from the duty to prepare a transfer disclosure statement that discloses all latent defects, even if the defects are obvious to an ordinary person.

93. B

Explanation: Sellers are not required to resolve any lead-based paint problems, but they must notify buyers about them and allow buyers to inspect for them.

94. D

Explanation: Owner-occupancy generally indicates stability in property values.

95. B

Explanation: A street address does not adequately describe a property. A complete legal description, whether a government survey, metes and bounds, or recorded map description, should be used.

96. D

Explanation: A new roof is not an operating expense; instead, it's a capital improvement, and its cost is amortized over a period of time.

97. D

Explanation: Local commission rates on real estate sales are not relevant to the business of leasing and managing properties.

98. C

Explanation: A loan's annual percentage rate is the cost of all finance charges plus interest that a borrower will pay in a year, expressed as a percentage of the total loan amount.

99. B

Explanation: The deposit must be placed in escrow. The broker will not be paid his commission until closing.

100. D

Explanation: The offer presented by the broker did not meet the conditions specified by the seller, even though most sellers would be pleased to accept it. Because there was no buyer presenting an offer that met the seller's terms, there is no need for the seller to pay a commission.