

El Camino College – Fall 2005  
Principles Mid-Term Main Campus & Inglewood One-Stop

1. If a person dies without a will, the procedure for transferring the deceased's property to his or her heirs is called:

- A. accession
- B. intestate succession
- C. escheat
- D. accretion

2. An oath or affirmation made before a notary public is called a(n):

- A. deed
- B. actual notice
- C. verification
- D. none of the above

3. Grantor A conveys a parcel of land to grantee B on the condition that a park be built within 5 years. At the end of the period, B fails to meet the terms of the conveyance and A terminates the estate that had been granted. This is an example of:

- A. special limitations
- B. condition precedent
- C. condition subsequent
- D. none of the above

4. Under intestate succession, with a surviving wife and two minor children, how much of the estate would go to the wife?

- A. 1/3
- B. 3/4
- C. 50%
- D. 100%

5. If a property is to be returned to the grantor after a life estate is terminated, it is referred to as a(n):

- A. estate in reversion
- B. estate in remainder
- C. life estate
- D. estate for years

6. What is the term used when a person leasing a property remains after the expiration of the stated term?

- A. Estate for years
- B. Estate from period-to-period
- C. Estate at will
- D. Estate at sufferance

7. An estate for years is an example of a:

- A. life estate
- B. fee estate
- C. freehold estate
- D. less-than-freehold estate

8. CC&Rs refer to:

- A. conditions, control, and residuals
- B. covenants, communities, and residents
- C. construction, conditions, and restrictions
- D. covenants, conditions, and restrictions

9. When someone is performing unauthorized work on your property, you should file a:

- A. notice of nonresponsibility
- B. notice of completion
- C. writ of execution
- D. abstract of judgment

10. A mechanic's lien can be filed against a property by someone who has furnished which of the following services?

- A. Landscaping
- B. Roofing
- C. Plumbing
- D. All of the above

11. Real property subject to a lien is referred to as:

- A. attached
- B. restricted
- C. encumbered
- D. all of the above

12. An agent who is only authorized to perform specific acts is known as a(n):

- A. general attorney in fact
- B. special attorney in fact
- C. fiduciary
- D. attorney by estoppel

13. In real estate, the person who acts for and with the authority of another is called a (an):

- A. agent
- B. principal
- C. buyer
- D. third party

14. Which of the following is NOT a duty of the broker/agent towards his or her principal?

- A. Availability
- B. Loyalty
- C. Honesty
- D. Integrity

15. If the "exact" terms of the listing agreement are met, the listing broker is entitled to a commission, even if the:

- A. buyer is legally incompetent
- B. broker is not licensed
- C. seller is not the legal owner
- D. owner refuses to sell to the buyer

16. Which kind of listing is preferred by most brokers?

- A. Exclusive agency
- B. Exclusive right to sell
- C. Open listing
- D. None of the above

17. The broker must place a buyer's money deposit in a trust account or escrow:

- A. by the next day
- B. within three business days
- C. within five days
- D. none of the above

18. An agency is terminated by operation of law when:

- A. the agency agreement expires
- B. the broker or seller dies
- C. the property is destroyed
- D. all of the above

19. Of the following, who is permitted to purchase property in California without court approval?

- A. Convicts
- B. Minors
- C. Incompetents
- D. Foreign persons (aliens)

20. Who makes an offer on a property that is for sale?

- A. Seller's agent
- B. Offeree
- C. Offeror
- D. All of the above

21. The first phase in the life of a contract is:

- A. completion
- B. escrow
- C. performance
- D. negotiation

22. A counter offer:

- A. terminates the prior offer
- B. is a new offer
- C. changes the terms of the prior offer
- D. all of the above

23. Which of the following is necessary for mutual consent?

- A. Offer and acceptance
- B. Oral agreement
- C. Notarization
- D. All of the above

24. Owner A tells B that he will pay him \$1,000 to paint his house. B agrees. This is an example of a(n):

- A. unilateral contract
- B. bilateral contract
- C. completed performance
- D. warranty contract

25. Which of the following would prevent the contractual requirement of genuine consent?

- A. Menace
- B. Undue influence
- C. Duress
- D. All of the above

26. To be valid, a lease need NOT include the:

- A. description of the property
- B. length of the lease
- C. words "let or demise"
- D. names of the parties

27. In a sale-leaseback, the original property owner:

- A. evicts his or her tenant
- B. loses money
- C. becomes the lessee
- D. none of the above

28. A developer who builds apartments on leased land, and then leases out the units individually, has:

- A. a sandwich lease
- B. a provisional lease
- C. broken the law
- D. to buy the property within 3 years

29. If a rental property is sold, the rents of the tenants are:

- A. forfeited
- B. refunded in full
- C. doubled
- D. prorated in escrow

30. Rental agreements are designed for estates:

- A. from period-to-period
- B. for years
- C. at sufferance
- D. any of the above

31. A landlord uses an unlawful detainer action:

- A. to gain possession
- B. instead of a mechanic's lien
- C. to raise a tenant's rent
- D. to illegally intimidate a tenant

32. An on-site residential manager:

- A. is a tenant of the property
- B. handles tenants' complaints
- C. maintains the premises
- D. all of the above

33. When a lessee pays property taxes, insurance and operating expenses it is called a:

- A. graduated lease
- B. gross lease
- C. net lease
- D. all of the above

34. The most common way to terminate a lease or rental agreement is by:

- A. eviction
- B. mutual agreement
- C. expiration of the term
- D. destruction of the premises

35. A lessee making payments based on gross monthly income has a:

- A. ground lease
- B. licensing agreement
- C. lease-purchase option
- D. percentage lease

36. Which of the following is NOT usually prorated?

- A. Title insurance
- B. Rents
- C. Property taxes
- D. Interest

37. Which of the following is NOT a duty of the escrow company?

- A. Negotiating broker's fees
- B. Confidentiality
- C. Deposit holder
- D. Conditional delivery of funds and documents

38. The closing date is:

- A. always on the first of the month
- B. the date the documents are recorded
- C. due before the payoff demand statement
- D. the date the listing agreement is signed

39. A recorded public history of a specific property is called a:

- A. title provenance
- B. chain of title
- C. title plant
- D. string of title

40. The acronym CLTA stands for:

- A. California Landlord Tenant Association
- B. California Land Title Association
- C. Community Lease Transaction Account
- D. California Land Tax Association

41. The process of proportionally dividing rents, property taxes and fire insurance is called:

- A. subdividing
- B. title splitting
- C. escrow debiting
- D. proration

42. A purchase money instrument only protects owners of:

- A. residential dwellings, one-to-four units, owner-occupied
- B. residential dwellings, one-to-four units, non-owner-occupied
- C. commercial property
- D. none of the above

43. Which of the following is TRUE concerning negotiable instruments?

- A. They are easily transferable from one person to another.
- B. Promissory notes are considered negotiable instruments.

- C. The most common example of a negotiable instrument is a personal check.
- D. All of the above.

44. A set number of days in which a lender will allow payments to be late without penalty is known as a:

- A. waiting period
- B. grace period
- C. maturation period
- D. none of the above

45. If a mortgage (as opposed to a trust deed) is foreclosed upon there is a redemption period of:

- A. 21 days
- B. 90 days
- C. 1 year
- D. 4 years

46. In a trust deed, the trustee is the:

- A. third (disinterested) party
- B. lender
- C. borrower
- D. escrow officer

47. In a trust deed, the beneficiary is the:

- A. escrow
- B. third party
- C. lender
- D. borrower's spouse

48. Impound reserves can be used to pay all except:

- A. fire insurance
- B. property taxes
- C. interest
- D. recurring condo fees

49. Which of the following are NOT institutional lenders?

- A. Banks
- B. Insurance companies
- C. Private individuals
- D. Mutual savings banks

50. Demand sources for real estate loans include loans for:

- A. buying property
- B. refinancing
- C. construction
- D. all of the above

51. A subdivider must keep the receipt for a public report (signed by the buyer) for how long?

- A. six months
- B. one year
- C. two years
- D. three years

52. A "tight money" policy by the FED would involve:

- A. increasing loan activity and decreasing interest rates
- B. decreasing interest rates only
- C. increasing interest rates and increasing loan activity
- D. restricting loan activity and increasing interest rates

53. What section of the FHA loan guidelines covers loans for home improvements?

- A. Title I
- B. Title V
- C. Title XXX
- D. all of the above

54. Non-institutional lenders who sell their loans to others or make loans for others are called:

- A. mutual savings banks
- B. mortgage bankers
- C. pension funds
- D. any of the above

55. To be a valid offer, what must accompany the deposit receipt?

- A. full asking price
- B. deposit of money or items of value
- C. a counter offer
- D. none of the above

56. If you are a subcontractor and a notice of completion has been filed, a mechanic's lien can be filed:

- A. until 30 days after notice of completion
- B. until 60 days after notice of completion
- C. until 90 days after notice of completion
- D. none of the above

57. Which of the following is true concerning mechanic's liens?

- A. They are specific liens.
- B. They are involuntary liens.
- C. They must be recorded to be effective.
- D. All of the above

58. The substitution, by agreement, of a new contract for an existing one with the intent to cancel the old contract, is known as:

- A. novation
- B. assignment
- C. mutual consent
- D. none of the above

59. Commingling can best be described as:

- A. misappropriation of licensee's funds
- B. mixing funds of a principal and a licensee
- C. receiving a profit that is unknown to the seller
- D. not disclosing certain physical conditions

60. If a broker were to say to a prospective buyer "I think this is the best house on the street," the statement would be considered a(n):

- A. innocent misrepresentation
- B. negligent misrepresentation
- C. fraudulent misrepresentation
- D. exaggeration of benefits (puffing)

61. Which of the following is TRUE concerning listings?

- A. They are not assignable.
- B. They can be for any period of time.
- C. They belong to the broker, not the salesperson.
- D. All of the above

62. A liquidated damages clause in a deposit receipt sets:

- A. specific performance requirements
- B. the deposit amount
- C. the damage amount
- D. all of the above

63. Which of the following is TRUE concerning illusory contracts?

- A. They are unenforceable
- B. They are definite and certain
- C. They are enforceable
- D. They are best used in residential purchases

64. A contract is best defined as:

- A. an offer by one party
- B. an agreement to perform or not to perform
- C. a willingness to enter into an agreement
- D. something of value given by one party

65. One-half of a section has how many acres?

- A. .05
- B. 160
- C. 320
- D. zero

66. Which of the following is NOT a California starting point in the U.S. Government Survey system?

- A. Baja Base Line and Meridian
- B. Humboldt Base Line and Meridian
- C. Mt. Diablo Base Line and Meridian
- D. San Bernardino Base Line and Meridian

67. The right to reasonable use of water from a river or stream, if the land borders it, is called:

- A. a riparian right
- B. a mineral right
- C. a potable right
- D. none of the above

68. Which of the following is NOT personal property?

- A. Stocks and bonds
- B. Improvements
- C. Trust deeds
- D. All of the above

69. The cost approach is most effective:

- A. at finding similar comparable properties
- B. with new, unique or public buildings
- C. for properties that generate income
- D. all of the above

70. The income approach is most effective:

- A. with single-family homes or lots
- B. with new, unique or public buildings
- C. for properties that can generate income
- D. all of the above

71. The most difficult part of the cost approach is:

- A. determining the capitalization rate
- B. estimating depreciation of older buildings
- C. finding an experienced appraiser
- D. all of the above

72. Which appraisal method is known as the "replacement cost method"?

- A. Market data approach
- B. Cost Approach
- C. Income approach
- D. All of the above

73. Which of the following statements is FALSE concerning economic obsolescence?

- A. It is due to wear and tear.
- B. It is a result of off property causes.
- C. It is due to changes in the neighborhood.
- D. It is incurable.

74. Which type of depreciation is called "social" obsolescence?

- A. Physical deterioration
- B. Functional obsolescence
- C. Economic obsolescence
- D. None of the above

75. Determining the present value of a property based upon its anticipated future income and expenses is called:

- A. comparison approach
- B. capitalization approach

- C. market data method
- D. replacement cost method

76. The U.S. Fair Housing Act of 1968 that requires equal housing posters to be displayed at real estate offices and at lending institutions is also generally known as the:

- A. Federal Civil Rights Act of 1968
- B. Housing Financial Discrimination Act of 1977
- C. Unruh Civil Rights Act (state law)
- D. none of the above

77. The fair housing violation of refusing to loan or insure a house because of a property's location is also known as:

- A. steering
- B. panic selling
- C. redlining
- D. block busting

78. An agent who intentionally shows Caucasians homes for sale in Caucasian neighborhoods only is guilty of:

- A. redlining
- B. block busting
- C. poor taste
- D. steering

79. The only time an agent can refuse to show a property is when:

- A. the buyer appears too poor to purchase the property
- B. it is raining outside or the house is messy
- C. the buyers and sellers are of different races
- D. the sellers are out of town and notify the broker that no one is allowed to see the property

80. A condominium does NOT have:

- A. a separate grant deed
- B. a separate trust deed
- C. private ownership of land and improvements
- D. a separate tax bill

81. A clause allowing an owner to continue using property in a way that is now prohibited by new zoning is called:

- A. a conditional use permit
- B. police power
- C. a grandmother clause
- D. a grandfather clause

82. A married couple who sell their residence do not pay income taxes (filing jointly) unless the profit is over:

- A. \$125,000
- B. \$250,000
- C. \$500,000
- D. \$700,000

83. Compared to ordinary income tax rates, capital gains taxes are:

- A. higher
- B. the same
- C. lower
- D. none of the above

84. Proposition 13 generally sets the tax rate at one percent of the:

- A. selling price
- B. fair market value
- C. selling price or market value, whichever is lower
- D. selling price or market value, whichever is higher

85. Which of the following is true about the salesperson's exam?

- A. 150 multiple-choice questions
- C. Requires 70% correct score to pass

B. Lasts three hours and fifteen minutes                      D. All of the above

86. The Holden Act (no redlining), also known as the Housing Financial Discrimination Act, covers only:

- A. commercial property                                              C. industrial property
- B. residential property                                                D. all of the above

87. Proposition 13 limits the increase in yearly property taxes to:

- A. twelve percent                                                      C. one percent
- B. zero percent                                                            D. two percent

88. Mello-Roos liens:

- A. require a salesperson to disclose                              C. usually fund street improvements
- B. are municipal bonds                                                D. all of the above

89. Which word best describes the effects of income taxes as your income increases?

- A. Progressive                                                              C. Marginal
- B. Regressive                                                                D. Static

90. If you made a 17% profit on the \$76,000 sale of a lot, how much did you pay for the lot?

- A. \$63,000                                                                    C. \$64,957
- B. \$63,080                                                                    D. \$65,750

91. If the 3% liquidating damages clause in a deposit receipt is initialed and a \$30,000 deposit is given towards a purchase price of \$295,000, in a breach the seller could retain what amount?

- A. \$8,850                                                                      C. \$21,150
- B. \$9,000                                                                      D. \$30,000

92. If you have an outstanding bank loan of \$56,500 with monthly payments of \$500 a month, of which \$43.85 is applied to principal, what is the interest rate on the loan?

- A. 8.25%                                                                      C. 9.69%
- B. 9.25%                                                                      D. 11.25%

93. If a young couple made a down payment of 21.25% (\$17,000), what is the sales price of the property?

- A. \$80,000                                                                      C. \$361,250
- B. \$150,875                                                                    D. None of the above

94. The total interest on a straight note of \$26,500 at 15% interest for 20 years would be:

- A. \$3,975                                                                        C. \$53,000
- B. \$5,300                                                                        D. \$79,500

95. The "Alquist-Priolo Special Studies Zones Act" requires the disclosure of what type of zones?

- A. Flood                                                                            C. Soft soil
- B. Earthquake                                                                    D. All of the above

96. The Real estate Commissioner:

- A. takes the place of court of law
- B. gives legal advice
- C. issues rules and regulations
- D. all of the above

97. Which of the following are important tax dates to remember?

- A. November 1
- B. December 10
- C. February 1
- D. All of the above

98 If the Internal Revenue Service is using a minimum of 39 years for straight-line depreciation on commercial properties, what would be the annual depreciation on a newly constructed apartment that cost \$1,950,000 and had an original land cost of \$585,000?

- A. \$3,500
- B. \$15,000
- C. \$35,000
- D. \$50,000

99. Any sale of a substantial part of inventory or other supplies and equipment associated with a business:

- A. is a bulk sale or transfer
- B. is a sale-leaseback
- C. requires a PRLS license
- D. none of the above

100. 395,340 square feet of area minus an area of 110 x 30 feet is?

- A. 3,300 square feet
- B. 330,000 square feet
- C. 392,040 square feet
- D. 398,640 square feet

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