- 1. Because the housing market deals with many different types of desires and needs, it is said to be: (A) Structured; (B) Stratified; (C) Fractured; (D) Fractionated.
- 2. Which of the following would not be considered an estate in real property?

 (A) A leasehold; (B) A mortgage; (C) A remainder; (D) A reversion.
- 3. Another name for an estate of inheritance is: (A) Fee simple defeasible; (B) Estate at sufferance; (B) Estate in fee; (D) Probate estate.
 - 4. A leasehold interest for a definite specified period of time is considered to be: (A) A freehold estate; (B) Personal property; (C) Real property; (D) None of the above.
 - 5. A tenant has a lease for three years with the rent to be paid quarterly. If the lease expires and the tenant remains in possession and the owner accepts the first payment of rent without any other agreement or notice to vacate, the lease is: (A) Cancelled; (B) Renewed-not to exceed one year; (C) Continued as a month-to-month tenancy; (D) Renewed for three years.
 - 6. When Carson conveys to Gimball a portion of his fee estate for a term less than his own, Carson's interest would be identified as: (A) Leasehold; (B) Fee defeasible; (C) Vested severance; (D) Reversion.
 - 7. When leasing real property, the lessor covenants with the lessee that: (4)
 The tenant will have quiet enjoyment of the premises and be protected against an eviction by anyone with paramount title; (B) The property will be maintained in exactly the same condition as when leased; (C) The lessor will not convey title to the property to anyone else; (D) The premises will be free from loud noises caused by other tenants in the same building.
 - 8. Which of the following statements is true concerning a trust deed and note:
 (A) The note is less important than the trust deed; (A) The lien of the trust deed is merely incidental to the debt; (C) When there is a conflict in the provisions of the note and the trust deed regarding the maturity of the debt, the provisions of the trust deed will prevail; (D) The trust deed outlaws before the note.
- 9. Provisions in a rental agreement for residential real estate that make the security deposit non-refundable are: (A) Prohibited by statute; (B) Permitted only if the agreement includes a provision that the deposit may be used only in offsetting damages to the property; (C) Valid if printed in 12-point typeface and initialed by all parties; (D) Enforceable if the security deposit does not exceed \$300.

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- 10. A sublease is considered to be: (A) Limited to a term of less than ten years; (B) A transfer of less than the entire leasehold; (C) The same as an assignment; (D) A transfer of the entire leasehold.
- 11. When renting an unfurnished residential property, a lessor may not require or accept a security deposit of more than: (A) \$100; (B) One month's rent; (C) Two month's rent; (D) Three month's rent.
- 12. Which of the following is (are) not classified as personal property? (A) Choses in action; (B) The right to sue for breach of contract; (C) Trade fixtures; (D) Easements in gross.
- 13. Landlords often require a net lease on commercial property to: (A) Designate a percentage of the net income from the business for the lessor; (B) Provide for payment of taxes and insurance by the lessor; (C) Set funds aside to offset depreciation; (D) Provide a net income to the lessor.
- When applying for an FHA loan, the amount of the loan will be based on the:

 (A) Assessed value; (B) FHA appraisal; (C) Selling price minus the down payment; (D) Lower of the FHA appraisal or the selling price.
- 15. In real property law, "tenancy" most nearly means: (A) Retention of rights as a remainderman; (B) The landlord-tenant relationship; (C) The mode or method of holding real property be lessee or owner; (D) None of the above.
- 16. A broker was able to make a sale to an interested buyer based on false information the seller had provided to the broker. The broker had acted in good faith and in a reasonable manner in relying on the false information. Thereafter, the buyer rescinded the contract because of the fraud. Given these circumstances, the broker is normally entitled to: (A) Only a reimbursement for out-of-pocket expenses incurred in connection with the transaction; (B) A full commission and indemnity for any loss caused by related legal action by the defrauded buyer against the broker; (C) One-half of the money deposited by the buyer; (D) No commission because the broker is guilty of fraud through omission.
- 17. Which of the following statements concerning ownership of land by tenants in common is incorrect? (A) Co-tenants may choose to divide the land among themselves by mutual agreement; (B) A co-tenant may create an easement on all of the property on behalf of all of the owners because of the confidential relationship that exists among the co-owners; (C) The operation of law may serve to transfer the interest of a co-tenant without the consent of the other co-tenants; (D) All of the above are correct.
- 18. The reciprocal of 8% is: (A) .125; (B) 1.25; (C) 12.5; (D) 125.
- 19. Any of the following might be a party to the execution of a will except: (A) A devisee; (B) An executrix; (C) A legatee; (A) An administrator.

- When considering VA loans, the unique feature about down payments which are required is: (A) They are never more than 3% of the CRV; (B) There is no down payment; (C) They are determined by the CRV; (D) They vary according to the amount borrowed.
- 21. A large river suddenly changed course, tearing away a long strip of land from the riverbank. Such an event is called: (A) Reliction; (B) Alluvion; (C) Accretion; (D) Avulsion.
- 22. City laws require that when property is sold it must comply with minimum energy conservation standards. If, during escrow, it an inspector found that the roof insulation was not sufficient, the cost to bring the insulation up to the proper rating would be paid by the: (A) Buyer, if he wants the work done; (B) Seller, no matter who wants the work done; (C) Buyer, no matter who wants the work done; (D) Seller, if the law allows him to have escrow credit the buyer for the cost of the work.
- 23. In the government's exercise of the right of eminent domain, all of the following are correct except: (A) It is the right of the government to take property from the owner; (B) It is an exercise of the government's zoning authority; (C) Just compensation of fair market value must be paid for the property; (D) The process of taking the property is known as condemnation.
- 24. Montgomery, the owner of adjoining lots 4 and 5, each priced at \$5,000, agreed to sell lot 4 to Lawrence and executed a deed therefore. Lawrence later decided that he preferred lot 5 and asked the escrow clerk to change the 4 on the deed to a 5, which she did. A month later, this deed was recorded. A month after that deed was recorded, Lawrence sold lot 5 to Chase who duly recorded his deed from Lawrence. A few days after this, Montgomery executed a deed and delivered it, selling lot 5 to Davis, who did not record it. Who is the owner of lot 5? (A) Montgomery; (B) Lawrence; (C) Chase; (D) Davis.
- 25. When selling a parcel of real property subject to a trust deed, it is always necessary, in order to transfer fee title legally, to: (A) Completely refinance all loans against the property; (B) Secure the permission of all beneficiaries; (C) Obtain a reconveyance deed from the trustee; (B) Deliver a deed from the grantor.
- 26. The recording of documents which encumber or transfer a piece of real property will accomplish all of the following except: (A) Give actual notice of the documents to third parties who may be affected by the related document; (B) Assist title insurance companies in maintaining their title plants; (C) Give constructive notice of the contents of the documents to persons who have not consulted the records; (D) Create a presumption of delivery of the instruments.

- 27. If a broker delegates specific authority by means of a written agreement to a salesperson to review an initial real estate agreements prepared by other salespersons, the delegated salesperson must have: (A) Been employed by the same broker for at least 2 years; (B) Accumulated at least 2 years full-time experience as a real estate salesperson during the preceding 5 years; (C) Accumulated at least 2 years experience as a full-time salesperson during the preceding 10 year period; (D) Accumulated 2 years experience as a real estate salesperson and completed 18 units in college courses related to real estate.
- 28. Warranty deeds are rarely used in California for which of the following reasons? (A) Damages under a grant deed are more liberal than under a warranty deed; (B) Implied covenants of a grant deed run with the land, but other covenants of the warranty deed are personal to the grantee; (C) The grant deed was intentionally created to take the place of the warranty deed; (D) Title insurance with its recourse against the title company has largely supplanted the warranty deed with its recourse against the grantor.
- 29. Of the following, which would be regarded as a lien? (A) An attachment; (B) Adverse zoning; (C) An appurtenant easement; (D) All of the above.
- 30. Cranston was injured while swimming in Jones' pool. Cranston obtained a \$12,500 judgment against Jones and recorded an abstract of judgment in the county in which the property was located. This would constitute: (A) A voluntary lien; (B) A general lien; (C) A specific lien; (D) An equitable lien.
- When a lender charges interest for a real estate loan: (A) It is generally payable in advance; (B) It generally declines in rate in direct proportion to the amortized balance of the note; (C) It is adversely affected by an increase in the supply of loanable funds; (1) It may be augmented by a mortgage discount to increase the effective yield.
- 32. If a broker takes an exclusive listing to negotiate a loan secured by a lien on real property, that listing is limited to a term of not more than: (A) 30 days; (B) 45 days; (C) 60 days; (D) 180 days.
- 33. An easement in gross: (A) Is attached to the land of the dominant tenement; (B) Passes with transfer of the dominant tenement to another owner; (C) Creates an easement appurtenant; (D) Must be expressly transferred.
- 34. In order to maintain the natural state of the land, a landowner grants an easement which limits the future development of the property. Such an easement is classified as: (A) Profit a pendre; (B) A solar easement; (C) A conservation easement; (D) A highest and best use restriction.

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- 35. Hayes is a tenant farmer with a 10-year lease on a farm known as Wildacre; Jones is the owner of the adjacent farm, Redacre. Jones has asked Hayes to grant him a right-of-way easement in writing. Can Hayes legally grant Jones the requested easement? (A) No, because a tenant cannot grant an easement-only a fee owner can do so; (B) Yes, subject to the ratification of the easement by the owner of Wildacre; (Y) Yes, but the easement so granted may not extend beyond the term of the lease; (D) Yes, for if the lease has been duly recorded, the tenant can do anything that the holder of the title can do, such as granting any type of easement.
- 36. Concerning encumbrances, which of the following is most correct? (A) An easement is a lien; (B) An encumbrance is anything which lowers the value of real property; (C) Restrictions of a beneficial nature would be encumbrances; (D) An encumbrance in the form of a covenant cannot be created by the acts of an owner of real property.
- 37. Tom and Trudy Thompson are both 83 years old and have an annual income of \$18,000. They own their home free and clear and want to defer paying property taxes on the property. To receive claim forms and additional information about this program, they should contact: (A) The Department of Real Estate; (B) The Department of Housing; (C) The county assessor; (D) The State Controller's office.
- When Roberts bought one of the first lots in a new subdivision, he signed an agreement which prohibited the erection of a "For Sale" sign on the lot until all lots owned by the subdivider in that subdivision had been sold. If Roberts wants to sell his lot prior to that time, he may: (A) Not erect a "For Sale" sign on the property without being held civilly liable by the subdivider; (B) Not erect a "For Sale" sign because of the foregoing agreement; (C) Erect a "For Sale" sign of reasonable dimension because the foregoing agreement is held by law to be void; (D) Erect a "For Sale" sign of any dimensions for best results because the foregoing agreement is a restraint of trade.
- 39. An apartment building, erected prior to the enactment of a zoning ordinance which no longer permits multiple family units within the zone where the building is situated, creates: (A) A violation of the zoning law; (B) A violation of the master plan; (C) A "nonconforming use"; (D) A variance.
- 40. Controlling land use through the use of setbacks, area size and building heights is provided for by governmental agencies exercising their power of:

 (A) Extraordinary escheat and exclusion laws; (B) Local zoning ordinances; (C) Community redevelopment regulations; (D) Covenants, conditions and restrictions.
- 41. A gasoline station was built in 1950 in a relatively undeveloped area. In 1980, the parcel on which the station operates was rezoned to residential. At present, the gas station represents: (A) An encroachment; (B) A civil, but not a criminal offense; (C) A variance; (D) A non-conforming use.

- 42. Michaels owns 80 acres of land. It is 1/2 mile long by 1/4 mile wide. He wants to determine the topography of the land and so he asks Jones to clear 4 strips, each one 50 feet wide. One strip will run the length of the land and 3 strips will run the width of the land. If Jones charges \$60 per acre of cleared land, he will receive: (A) \$348; (B) \$380; (C) \$444; (D) \$520.
- Which of the following statements is untrue? (A) A grant deed conveys after-acquired title; (B) An estate for years is a less-than-freehold estate; (C) A quitclaim deed can convey all interest in a parcel of land, including a fee simple absolute estate; (B) A deed of reconveyance is used to convey title to property to a purchaser at a trustee's sale.
- 44. If property being sold at a trustee's sale has no street address, the published notice of sale must: (A) Be published at least twenty days before the date of sale; (B) Provide a statement that the trustor must supply maps to all interested parties; (C) Be posted at the business office of the trustee; (C) Contain the beneficiary's name and address and a statement that the beneficiary will provide directions to the property upon written request.
- Which of the following is considered to be a superior or first lien? (A) A homestead exemption; (B) Whichever is recorded first; (C) The first deed of trust; (D) A 1911 assessment bond.
- 46. When a buyer takes title "subject to" an existing loan, rather than "assuming" the loan, the buyer intends to: (A) Have any loss confined to the equity in the property in the event of a foreclosure; (B) Act as a substitute trustor; (C) Eliminate the possibility of foreclosure by sale; (D) Be relieved of any responsibility relative to the existing loan.
- 47. An installment note having an "or more" clause would make it possible to:
 (A) Loan more money on the same note; (B) Provide for a loan moratorium if a disaster should occur; (C) Have an accelerated payoff; (D) Indicate that the note has several makers.
- 48. A mortgage clause which states that the rights of the mortgagee shall be secondary to a subsequent mortgage is known as: (A) An alienation clause; (B) A submortgage clause; (C) An escalation clause; (D) A subordination clause.
- 49. A balloon payment would be necessary on which of the following loans? (A) \$22,500 with interest at 14:25% per year payable \$320 a month for 10 years; the total interest is \$19,827.60; (B) \$40,000 with interest at 13.5% per year payable \$519.34 a month for 15 years; the total interest is \$53,481; (C) \$25,000 with interest at 12% per year payable \$556.17 a month for 5 years; the total interest is \$8,370; (D) None of the above.
- A mechanic's lien filed today would usually have priority over: (A) A trust deed loan recorded against the property before any work was done; (B) A tax lien to be filed tomorrow; (C) An unrecorded deed delivered a week ago; (D) Both "B" and "C."

- 51. Once a judgment has been obtained against real property, a plaintiff would obtain which of the following in order to cause the property to be sold? (A) An attachment; (B) A lis pendens; (D) A writ of execution; (D) An estoppel.
- Bascomb purchased a parcel of real property and received a standard policy of title insurance. Bascomb would be protected against all of the following items except: (A) The grantor's signature was forged on the deed; (B) Easements and liens on the property not revealed by the public records; (C) The delivery of a previous deed in the chain of title without the intent of the grantor; (D) The insanity of the grantor.
- 53. If the causes of action occurred after January 1, 1980, what is the maximum amount a court may order levied against the real estate recovery account for any one licensee? (A) \$10,000; (B) \$20,000; (C) \$40,000; (D) \$100,000.
- 54. Sometimes an appraiser estimates the value of a property by using three approaches. After he has done this, his next step would be to: (A) Average the value indications; (B) Reconcile the value indications; (C) Finalize the value indications; (D) Amortize the value indications.
 - 55. A "standby loan commitment" refers to: (A) The fee that a mortgage loan broker collects for committing to a loan for a borrower; (B) A lenders decision to make a construction loan; (C) The origination charge that a lender will collect for making a construction loan; (D) A commitment by the lender to make a permanent takeout loan upon the borrower's demand.
- 56. In the absence of instructions to the contrary, a real estate broker involved in the creation of a promissory note secured by a lien on real property shall either record or deliver a written recommendation to record within: (A) 5 days; (6) 10 days; (C) 14 days; (D) 30 days.
- 57. Which of the following best describes the actions of an agent under single agency: (A) In a single agency transaction, the buyers cannot choose either their own broker or represent themselves; (B) In a single agency transaction, there is one agent representing both the seller and the buyer in the same transaction; (A) A single-agency broker is client-oriented; (D) In a single agency transaction, both of the principals have employed the same agent to represent them.
- 58. Of the following liens, the one that would be given priority would be a: (A) Trust deed signed and recorded April 28, 1990; (B) Trust deed signed on April 27, 1990 and recorded on April 29, 1990; (C) Mechanics lien applicable to work that was started on April 25, 1990; (D) Street improvement assessment lien created May 10, 1990.
- Johnson is buying a new house and wants to obtain an FHA loan. Johnson has a good credit history but an irregular income. According to FHA, the payments: (3) Will have to be monthly; (B) Could be quarterly; (C) Could be semi-annual; (D) Could be made at any agreed upon interval.

- 60. The enforcement of anti-discrimination acts in housing accommodations in California, on the basis of race, religion, color, sex, national origin, or ancestry is the responsibility of the: (A) Real Estate Commission; (B) Department of Fair Employment and Housing; (C) Division of Fair Housing; (D) Labor Commission.
- 61. Under the Federal Fair Housing Law, persons alleging discrimination in housing can choose which remedy? (A) File a civil action in federal court; (B) File a civil action in state or local court; (C) File a complaint with HUD; (D) Do any of the above.
- 62. For many years, an inner city neighborhood was a racially integrated, middle-class community of single-family houses and active civic associations. An increase in crime and a deterioration of neighborhood schools has prompted a major exodus of white families during the past six months. Capitalizing on this, broker Roberts' real estate firm: (1) vigorously solicits listings in the neighborhood using the slogan, "Sell Now-Save Equity"; and (2) as an additional inducement to sell, charges a lower commission to white owners who use broker Roberts' firm. The Federal Fair Housing Act prohibits which of the above? (A) 1 only; (B) 2 only; (C) Both 1 and 2; (D) Neither 1 nor 2.
- 63. When analyzing the value of single-family homes, which of the following statements is least accurate? (A) Demand for real estate depends on the availability and terms of financing; (B) Effective demand is a reflection of consumer incomes; (C) Because the supply of real estate is relatively fixed, effective demand is generally stable; (D) Because of the uniqueness of location, no two parcels are precisely alike.
- 64. One might normally expect to find reference to the CPI (Consumer Price Index) in which of the following: (A) Lease agreements for single-family residences; (D) Commercial leases; (C) Deposit receipts; (D) Listing contracts.
- 65. The transition from a buyer's market to a seller's market in real estate would:
 (A) Have no direct effect on prices as each property is unique; (B) Cause prices to rise as demand is increased and supply lags; (C) Cause prices to drop as demand is decreased and supply is increased; (D) Cause a decrease in land development and construction activity.
- 66. Who most benefits economically from the effects of inflation? (A) Debtors; (B) Creditors; (C) People with fixed income; (D) Depositors in savings accounts.
- 67. The amount of money available for real estate loans would be increased by all of the following except: (A) An increase in the real national income; (B) Increased savings by individuals for retirement; (C) A growing awareness of the need to provide for old age; (D) An increase in the rate of return on corporate and government bonds.

- 68. Carter bought 20 acres of vacant land for \$4,000 per acre, making a cash down payment of \$4,000 and executing a straight note and a blanket deed of trust for the balance. As a part of the note, the lender agreed that when Carter made an additional payment of \$4,000 on the principal, the trustee would issue a partial reconveyance for one acre. Carter has paid a total of \$8,000 on the note and now owns two acres free and clear. The percentage of his equity in the encumbered property: (A) Has been eliminated; (B) Remains the same; (C) Has increased; (D) Has decreased.
- 69. Government agencies participate a great deal in the national mortgage market. Of the following, which would most likely be a primary lender on loans for large tracts of land? Federal Land Banks; (B) Government National Mortgage Association; (C) Federal National Mortgage Association; (D) Federal Home Loan Bank Board.
- 70. The tight money policies of the Federal Reserve Board increases the: (A) Amount of money available for housing construction; (B) Use of new first trust deeds; (C) Use of second trust deeds; (D) Volume of sales of single-family homes.
- 71. A subdivider has a blanket encumbrance on many lots. The blanket encumbrance includes a release clause which states that when a certain amount is paid for each lot, it will be released from the blanket encumbrance. When the price of each lot is paid, the beneficiary will execute a:

 (A) Partial reconveyance deed; (B) Partial subordination clause; (C) Request for partial reconveyance; (D) None of the above.
- 72. Escrow instructions should be: (A) Recorded; (B) Notarized; (C) Confusing; (S) Executed.
- 73. The secondary mortgage market is typified by: (A) Lending on the basis of junior liens; (B) The transfer of interest between mortgagees; (C) The transfer of interest between mortgagors; (D) Lending on the security of second mortgages.
- 74. Consumption expenditure patterns directly influence the demand for housing: (A) Because spending habits and preferences of individuals are major considerations when determining the economic well-being of a community; (B) By determining the relative number of new construction projects which are devoted to apartments and single-family residences; (C) Because what households do with their disposable income is a major consideration when determining how much income is available for housing; (D) By determining the standard of living to which the residents of a community are accustomed.

- 75. McHugh purchased a home for \$80,000, paying 21.25% down and financing the balance on a 30-year amortized loan with interest at 10.25% per annum. The lender will require monthly impounds for taxes (\$800 per year) and casualty insurance (\$978 for a three-year policy). Assuming that the first monthly payment on the principal is \$119, and the total amount McHugh will have to pay the first month would be approximately: (A) \$932; (B) \$751; (C) \$597; (D) \$213.
 - 76. A broker is seeking investors to participate in a real estate investment. She may assure potential investors of limited liability for the debts to be incurred by forming any of the following except: (A) Foreign corporation; (B) Limited partnership; (C) Real estate investment trust; (D) General partnership.
 - 77. In creating a real estate syndicate, the most common form of organization is: (A) General partnership (B) Corporation; (C) Insurance trust; (D) Limited partnership.
- 78. Real estate investment trusts which are formed as a corporation generally provide their shareholders all of the following advantages except: (A) Professional management of the investment; (B) Relative ease in the transferability of their shares; (C) Freedom from personal liability for the debts of the enterprise; (D) Tax-deferred income.
- 79. On January 10, 1982, buyer Carson purchased a single-family home in a residential subdivision by using a real property sales contract. A clause in the contract provided: "The buyer herein agrees to make even monthly payments of interest and will not prepay any part of the loan principal." What effect, if any, will this clause have in the event buyer Carson decides to pay the entire unpaid balance? (A) Carson is bound by this clause; (B) Carson is restricted from making any prepayment; (C) Carson may disregard the clause; (D) Such a clause voids the entire contract.
- 80. The Government National Mortgage Association (GNMA) issues pass through securities. The phrase "pass through" means that all interest and principle payments pass through Ginnie Mae to the investors. Ginnie Mae's role in this market is to: (A) Act as a go-between and verify that the transactions are documented; (B) Bring sellers and buyers together; (3) Guarantee timely payment of interest on the mortgages; (D) Qualify the properties that are used as security for the loans.
- 81. When both vendor and vendee sign a real property conditional installment sales contract: (A) All right, title, and interest of the seller pass to the buyer; (B) The vendee immediately receives legal title to the property; (C) No title passes to the purchaser; (A) An equitable title passes to the vendee.

- 82. Lenders sometimes require borrowers to deposit amounts with the monthly mortgage payments to cover some costs related to the property. Which of the following would not be included in such impounds? (A) Payments for special assessments related to the improvement of the public areas; (B) County/city property taxes; (C) Monthly interest; (D) Insurance premiums.
- 83. Under the Federal Truth-in-Lending Law, which of the following items may not be included as a "finance charge"? (A) Finder's fee, or similar charge; (B) Loan discount points; (C) Time-price differential; (A) Appraisal fee.
- 84. In order for a transaction to be subject to the Federal Truth-in-Lending Law, it must meet all of the following criteria except: (A) Credit is offered or extended to consumers; (B) Credit is offered or extended regularly; (C) The purpose of the credit is for the purchase of personal property only; (D) A charge is levied against the borrower for the extension of credit, or the debt is to be repaid in more than four installments.
- 85. An appraiser would use which of the following when determining the economic life of a building? (A) The condition and age of the building; (B) The use to which the building will be put; (C) The repair policy of the owner; (D) All of the above.
- 86. Which of the following would not be permitted when an FHA loan is made?

 (A) Loan discount points to be paid by the broker; (B) An acceleration clause against alienation in the trust deed or mortgage; (C) Use of a note that is classified as a negotiable instrument; (D) A fund for the collection of impounds.
- 87. When considering the property standards related to stairway design as set forth by HUD, which of the following is not included: (A) Minimum width; (B) Maximum riser height; (C) Minimum height for headroom; (A) A minimum of two handrails.
- 88. When is a broker who conducts escrow services for a fee exempt from escrow laws administered by the Department of Corporations? (A) When he has held a broker's license for a period longer than five years; (B) When the escrow services he provides relate only to real estate transactions; (C) When the escrows he conducts are solely for property transactions incidental to his agency capacity; (D) None of the above.
- 89. On a seller's closing statement, which of the following items would be found in the debit column? (A) Sale of personal property; (B) Prepaid rent; (C) Prepaid insurance proration; (D) None of the above.
- 90. When used in an offer to buy residential property, the phrase "as is" applies to: (A) Habitability defects; (B) Gross negligence; (C) Defects in the chain of title; (1) Observable defects.

- 91. The maximum amount a lender can require borrowers to deposit into reserve accounts at settlement under normal lending practices is regulated by the Real Estate Settlement Procedures Act (RESPA). As it affects loans, taxes are paid by lenders semi-annually each December and April to avoid penalties for the periods against which they are assessed. What is the maximum amount for tax reserves which a lender may collect from a borrower at closing in the following transaction? Settlement date, August 1, 1982; due date of first mortgage payment, September 1, 1982; taxes due yearly, \$720; monthly tax accrual, \$60. (A) \$120; (B) \$180; (C) \$240; (D) \$300.
- 92. Broker Johnson has created a land project subdivision out in the desert. He has obtained his final public report. Before advertising the parcels in the media, he should realize that: (A) The advertising for all residential subdivisions must have prior approval of the Department of Real Estate; (B) His broker's license number must appear in all advertising; (C) The advertising for all land project subdivisions must have prior approval by the Department of Real Estate unless exempted from this part of the law; (D) The only regulating of this type of advertising is the requirement that the advertising is not to be false or misleading.
- 93. By definition, an executed contract is one where: (A) The executor of an estate is the offeror; (B) Both parties have completely performed; (C) The contract is properly signed, notarized and recorded; (D) An initial version of the contract is destroyed.
- 94. The customary, valid exclusive right to sell listing agreement: (A) Must involve a seller capable of delivering marketable title to real property, and a buyer ready, willing and able to purchase; (E) Contains a meeting of the minds of the parties; (C) Obligates a property owner to sell and convey the listed property; (D) All of the above.
- Jones, 13 years old, wanted to sell a farm he had received by inheritance. He asked his father to arrange a sale through a local broker. Two weeks after the sales contract was signed, Jones changed his mind and decided he did not wish to sell the ranch. Which of the following best describes the situation?

 (A) Jones may disaffirm the contract if he does so within 30 days of its execution; (B) Jones' delegation of power to his father makes the contract enforceable; (C) Jones may not disaffirm the contract without a better reason; (D) The contract is automatically void because Jones is a minor.
- 96. When used in real estate, which of the following terms are usually used with such adjectives as "good," "sufficient," "adequate" and "valuable"? (A) Unilateral contract; (B) Performance; (C) Commission; (D) Consideration.
 - If a contract for the purchase of real estate is to be enforceable, the consideration must be sufficient relative to value in order to enforce a suit for: (A) Rescission; (B) Specific performance; (C) Unlawful detainer; (D) Damages.

97.

- 98. Brokers often make verbal agreements among themselves covering division of commissions. These agreements are not required to be in writing to be enforceable because: (A) Such agreements are not illegal or against public policy; (B) Each broker is the agent of the other; (C) Such agreements between brokers are not covered by the Statute of Frauds; (D) Judicial notice can be taken of such custom.
- 99. The rights, limitations, duties and obligations, as specified under the law of agency, is primarily concerned with: (A) The agent and the third parties with whom the agent deals on behalf of a principal; (B) The agent and the principal, whether disclosed or undisclosed; (C) The principal and third parties with whom the agent deals on behalf of the principal; (D) All of the above.
- 100. When an appraiser compares the land residual technique and the property residual technique, he knows that: (A) They use different methods to arrive at the net income; (B) Land never depreciates and therefore depreciation is not considered in the land residual technique; (C) When using the property residual technique the "residual" is the gross income of the building; (3) The property residual technique uses an overall capitalization rate which is applied to the net income.
- 101. Lacking a contrary agreement, a real estate broker has the right to cancel any authorization to sell: (A) If the buyer has given his permission to do so; (B) At any time for any reason subject to possible civil liabilities; (C) If the broker finds that the seller has overpriced the property; (D) None of the above.
- When a broker has two offers on the same property, both from salespeople within his office, and both with a deposit, he is placed in a dilemma. He decides not to present the second offer until the first offer has been accepted or rejected by the seller. The seller is not informed of the second offer. The broker's action is: (A) Permissible if the second offer is substantially the same as the first; (B) Permissible only if the commission is divided equally between the salespersons; (C) Not permissible since he owed the fiduciary obligation to both buyers; (D) Not permissible.
- A real estate licensee, as an agent, is obligated to keep the principal fully informed of all material facts the agent may discover that are relevant to the pending real estate transaction because: (A) The real estate agent's commission is subject to adjustment, up or down, as circumstances change; (B) Provisions for this type of responsibility and duty are found in the usual listing agreements; (C) The real estate licensee, as an agent, is considered to be a conservator of the principal's estate; (D) The agent is considered to have a fiduciary relationship.

- 104. In addition to the duties of diligence, care, and skill, a real estate agent owes the principal a full disclosure of all facts material to the subject of the agency. Any intentional concealment of such facts by the agent would probably be regarded as: (A) Conversion; (B) Commingling; (C) Misrepresentation; (F) Fraud.
- Buyer Clark contacted broker Jacobs to find out if Jacobs had a listing on 105. a certain property that buyer Clark was interested in purchasing. Broker Jacobs did not have a listing on the property in question, but informed buyer Clark that he would get the full details and relate it to him. The broker then contacted the property owner in an attempt to obtain a listing and informed the owner that buyer Clark was interested in purchasing the property. The owner refused the listing, informing the broker that the property was not for sale and that he would not list the property with any broker. Two months later, broker Jacobs was informed that the owner had in fact sold the property to Clark without broker Jacobs' knowledge. Given these conditions: (A) Jacobs is entitled to a reasonable commission from the owner; (B) Buyer Clark is liable to broker Jacobs for a reasonable commission; (C) Broker Jacobs has invested time and labor in the transaction and therefore could recover a reasonable amount for the investment of time and labor; (D) Broker Jacobs is entitled to nothing.
- Broker Kelly obtained a listing to sell owner Judd's income-producing property. Broker Kelly mistakenly quoted several incorrect rental figures when describing the real property to buyer Harper. Harper purchased the property on the belief that the figures quoted by broker Kelly were correct. Given the preceding information, buyer Harper could: (A) Unilaterally rescind the contract; (B) Take action against both the seller and the broker for any damages incurred; (C) Enforce the contract; (B) Any of the above.

\$ 107.

A real estate broker, taking a listing from the owner of a single-family residence, is told by the owner that the foundation is cracked, that the defect might not be evident to a buyer, and that the information should not interfere with a quick sale of the house. The broker should: (A) Remain silent until a structural engineer can report on the situation; (B) Tell the seller that brokers are required to disclose such information to a prospective buyer; (C) Assure the seller that no agent will refer to the defect unless authorized by the owner; (D) Not reveal the defect unless a buyer asks about it.

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- 108. Broker Hardy showed a buyer a property during the term of his 60-day nonexclusive listing. The buyer made an offer less than the listed price, which was rejected by the seller. The buyer then made a higher offer through a second broker, Snyder, who also had a nonexclusive listing, and this offer was accepted by the seller. Hardy, the first broker, sued the seller and the second broker for the full commission claiming he was the procuring cause for the sale. Hardy would probably: (A) Lose the lawsuit because he was not the one whose efforts resulted in consummation of the transaction; (B) Lose the lawsuit because he did not have an exclusive agency listing; (C) Win the lawsuit because he was the broker that first introduced the buyer and the seller; (D) Win the lawsuit because he was the first broker to introduce the buyer to the property but will be entitled to only one-half of the commission.
- In order to be entitled to a commission, a broker must show that he/she was the procuring cause of the sale under all of the following types of listings except: (A) Exclusive agency; (B) Exclusive authorization and right to sell; (C) Open listing; (D) Nonexclusive listing.
- 110. The following "as is" provision appeared in a contract to buy a parcel of real property. To wit: "It is understood and agreed that the property has been inspected by the buyers or their agent and is being purchased as a result of such inspection in its present condition." The inclusion of such a clause in a contract: (A) Has no effect on the liability of the seller or the seller's agent for defects of the property, regardless of the type of defect; (B) Releases only the seller's agent from liability and only for defects of the property of which he was aware prior to the sale; (C) Releases the seller and the seller's agent from all liability relating to the condition of the property; (D) Releases the seller and the seller's agent from liability for defects in the property which are reasonably visible or observable by the buyers or their agent.
- Unknown to the seller, the offeror died four hours prior to the seller's acceptance of the offer to purchase. Concerning the preceding, which of the following is most correct? (A) A contract exists, but either party may rescind within a reasonable length of time; (B) A contract exists and it may not be rescinded by the executor of the offeror's estate; (C) The offer was revoked by operation of law upon the offeror's death; (D) A contract exists, but it may be rescinded by the executor of the offeror's estate.

Mr. Johnson has listed nine acres of land with a broker at a listing price of \$78,300. A friend of his wants to buy part of the land measuring 100 feet by 145.2 feet. The purchase price of the smaller parcel will be based on the listed price and will be: (A) Less than \$2,500; (B) More than \$2,500 but less than \$3,000; (C) More than \$3,000 but less than \$3,500; (D) More than \$3,500.

- 113. The security that can be collected on residential rental property is limited in which of the following ways: (A) The term of the rental agreement and whether or not the property is furnished or unfurnished; (B) The number of adults that will occupy the property; (C) The number of children and pets that will be occupying the property; (D) The supply and demand in the local area.
- 114. Which of the following statements about options is least correct? (A) An option can be created on personal property as well as real property; (B) Actual valuable consideration must pass from the optionee to the optionor; (C) The option money may be applied toward the purchase price; (A) If the optionee chooses to exercise the option, it is necessary to execute a separate purchase contract during the option period in order for the optionor and optionee to be legally bound by the terms.
- 115. Under federal income tax regulations, an individual may not deduct a loss on the sale of residential property unless: (A) The loss exceeds 20% of the individual's adjusted gross income; (B) The property was also used for business purposes and showed a profit for the 3-year period immediately preceding the sale; (C) The individual shows an additional capital gain which would be offset by the sale; (D) The property was bought as an investment and was rented or leased out as such.
- An owner of an apartment house deducted \$6,000 from the gross income for depreciation on his federal income tax return. The basis of the property is therefore: (A) Unaffected; (B) Increased by \$6,000; (C) Adjusted only when the property is sold; (3) Reduced by \$6,000.
- 117. From the view of the Internal Revenue Service, a person is classified as a "dealer" when the real estate he/she owns is held as: (A) Used in a trade or business; (B) A means for the production of income; (C) Stock in trade; (D) Any of the above.
- In completing the annual income tax return, the owner of a single-family residence used as rental property could legally deduct all of the following from gross income to arrive at net income except: (A) Maintenance expense; (B) Funds actually expended for property management; (C) Interest payments on the mortgage loan used to purchase the property; (D) The cost of a new wooden fence.
- 119. A real estate licensee refers transactions to a specific escrow company, because the escrow company pays him a referral fee for each such referral. Regarding this arrangement, which of the following is correct: (A) If the fee is less than \$50 and the principals agree, the arrangement is permissible; (B) If the principals are fully informed as to the amount, there is no violation; (C) If the escrow company does not increase the fee normally charged, the arrangement is permissible; (D) This arrangement is prohibited under real estate law.

- When a listing agreement includes a provision to extend the agreement "by any period of time in which the property was in escrow or taken off the market," the agent needs also to include: (A) A statement that the owner will waive the right to a specific termination date; (B) The initials of all parties signing the contract accepting this indefinite term; (C) A disclaimer that the clause is not intended to violate any provision of the real estate law; (C) An additional provision that establishes an alternate termination date which is certain.
- When the letters "HVAC" appears in a commercial or industrial lease, it normally refers to: (A) Use of a Household Vacuum on the Average Carpet; (B) High Voltage Alternating Current; (C) Homesteads, Vacancies, and Additional Conveyances; (1) Heating, Ventilating and Air Conditioning.
- Where both local and federal minimum housing requirements apply to a specific property, contractors building there must: (A) Observe the local building code; (B) Comply with the federal housing specifications; (C) Comply with the more stringent of the two laws; (D) Choose which law they will obey.
- 123. When a broker sells property which lies within a special geological hazard zone, he must disclose this as a material fact to the buyer. One of the reasons for requiring this is to inform the buyer: (A) Of earthquakes; (B) That an expensive geological report may be required by the agency issuing building permits; (C) And seller that the property is within a mineral, oil or gas zone and subject to governmental development; (D) Of none of the above, as there is no disclosure obligation on the part of the license. The seller must disclose.
- Davidson is subdividing, creating single-family residential lots which he intends to sell for cash. He needs maximum financing for the public improvements (streets, curbs, sidewalks, etc.) and wishes to pass the cost of these improvements on to the lot purchasers, but wants no assessment liens to appear in title insurance policies. The best source of financing will probably be: (A) Conditional installment land contracts; (B) Corporate stock; (C) Improvement bonds; (D) Interim loans from institutional lenders.
- 125. Under Section 1360 of the Civil Code, when are prospective purchasers to be given copies of the covenants, conditions, and restrictions, articles of incorporation, and bylaws in the purchase of lots or units in a subdivision consisting of planned unit developments, condominiums or stock cooperatives in which they have common shared facilities? (A) Prior to the prospective purchaser becoming obligated to purchase; (B) As soon as practical before the transfer of title or the execution of a real property sales contract; (C) Within ten days after transfer of title or execution of a real property sales contract; (D) Only if the owner is the original subdivider/developer and is offering lots or units for sale to the public for the first time.

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- Which of the following is responsible for the availability of paved streets, public utilities, curbs and gutters in new subdivisions? (A) The bonding company servicing the developer; (B) Improvement districts formed by lot purchasers; (C) The city or county planning office; (The subdivider/developer.
- Georgene Creason is selling time-shares in her Wildacre subdivision. She mailed advertisements to 10,000 people, offering them the chance to win a prize, but did not reveal that in order to be eligible, the person must visit Wildacre and listen to a sales presentation. All of the prize winners had become owners in Wildacre. Is there anything wrong with this situation?

 (A) Yes, property owners must be excluded from the list of eligible participants; (B) Yes, anyone offering prizes or gifts must reveal any required attendance at a sales presentation when offering the prize or gift; (C) No, prizes may be offered as part of any undisclosed sales presentation; (D) No, as long as all of the winners are also owners of property in the subdivision.
- A prospective purchaser is interested in buying a lot in the mountains from a subdivider who is not a real estate licensee. The buyer wishes to know about sewer assessments, liens, utilities to his lot, blanket encumbrances, and maintenance of streets. The source that would provide all of this information is the: (A) County engineer; (B) Real Estate Commissioner; (C) County planning director; (D) Subdivider.
- Mr. Johnson rents a house to Mr. Green on a month-to-month tenancy. On Mr. Johnson's federal income tax return, he may deduct all of the following expenses except: (A) Depreciation of the property; (B) Commissions paid to a broker for collecting the rent; (C) Property taxes and interest paid on a loan secured by the property; (D) Replacement of the heating system.
- 130. Which of the following is defined thus: "An estate in real property consisting of an undivided interest in common in a portion of a parcel of real property, together with a separate interest in space in a residential, industrial or commercial building on such real property." (A) A stock cooperative; (B) Community apartment project; (C) A condominium; (D) None of the above.
- 131. Under California Subdivision Law, material changes occurring in a subdivision being offered within California, which is subject to an outstanding public report, must immediately be reported to the Real Estate Commissioner. All of the following would be considered a material change except: (A) A relocation of easements affecting unsold subdivision interests; (C) Changes in prices for which public lots are offered for sale; (C) Change in name of escrow or trust account depository handling money advanced by buyers of the lots within the subdivision; (D) Changes in the means of furnishing the services to lots within the subdivision.
- All of the following items are commonly found in a balance sheet except:

 (A) Goodwill; (B) Equipment used for deliveries; (C) Sales; (D) Prepaid expenses.

- 133. When the principal gives the broker a listing, the authority the broker receives is governed by: (A) Law; (B) The principal; (C) The agency relationship; (3) The terms of the contract.
- Which of the following statements concerning riparian rights is false: (A) If a riparian owner conveys part of his property which does not abut the river, it will not transfer riparian rights; (B) Riparian rights cannot be severed from the property by prescription or condemnation; (C) The owner of adjacent land may not use all of the water and thereby deprive a riparian owner of water; (D) A riparian owner may transfer any part of his land which is not abutting the river.
- When a California real estate broker advertises for loan business, the ad must include which of the following: (A) Licensed mortgage broker by the California Department of Real Estate; (B) Mortgage loan correspondent; (C) Approved under the California Real Estate Residential Mortgage Act; (C) Real Estate Broker, California Department of Real Estate.
- 136. The rules for interpreting legal descriptions of property include all of the following except: (2) When tide water is the boundary in a deed, the title is conveyed to the ordinary low water mark; (B) If the language is sufficient to identify the property, the description is acceptable and inconsistencies may be ignored; (C) An inaccurate statement as to acreage in a description may be ignored unless the language in the deed indicates that only a specific quantity of land was intended to be conveyed; (D) Boundaries and monuments are paramount to lines or angles if the latter are inconsistent with the former.
- 137. None of the following statements about the metes and bounds method of land description is true except: (A) Metes identifies the point of beginning; bounds describes the distance between the benchmarks and monuments; (B) Metes refers to measures of length (i.e., feet, rods); bounds refers to artificial and natural parameters; (C) Metes has to do with raw land; bounds has to do with developed property; (D) Metes and bounds descriptions are short, brief, and easily understood by anyone.
- Broker Bob, who has an unrestricted license, negotiated the sale of a property, and in the process, defrauded the buyer. The buyer obtained a final judgment against the broker upon the grounds of fraud in a civil suit. The real estate commissioner: (A) Can suspend the broker's license until a hearing is held; (3) Can hold a hearing but cannot suspend or revoke the license until after the hearing; (C) Can suspend the license of the broker when he receives a copy of the final judgment; (D) Must wait to take action until the buyer files a formal complaint.
- 139. Which of the following types of misrepresentation occur least often in the practice of real estate: (A) Innocent misrepresentation; (B) Fraudulent misrepresentation; (C) Negligent misrepresentation; (D) Malicious misrepresentation.

- Mr. Sampson bought an income property for \$375,000. If the land value was \$100,000 and Mr. Sampson used straight line depreciation over a 27.5 year basis, the annual depreciation would be: (A) \$9,000; (B) \$10,000; (C) \$13,425; (D) \$15,000.
- Davis withdrew \$8,000 from a savings account which was paying 5% annual interest to him and applied these funds toward the principal balance of his home loan. He is in the 22% tax bracket. The interest rate on his home loan was 6% per annum. He reports interest earned and deducts interest paid on his federal income tax return. At the end of the first year, Davis gained how much? (A) \$17.60; (B) \$62.40; (C) \$80.00; (D) \$273.60.
- Brown purchased a \$1,400 note at a 15% discount. The note provided for monthly payments of \$122, including interest at 9% per annum, all due and payable in one year. Brown received full payment on the above terms. The yield on this investment, expressed as a percentage, would be: (A) 40%; (B) 34%; (C) 31%; (D) 23%.
- Which of the following statements concerning property taxes and special assessments is false: (2) Both of them are used to support the general functions of government; (B) Property taxes are ad valorem taxes and special assessments are for specific improvements; (C) Property taxes and special assessments have equal priority; (D) If the owner does not pay the special assessments, the property can be foreclosed in a method that is similar to a property tax sale.
- Subdivisions are controlled by which of the following under the Subdivision Map Act: (A) The real estate commissioner; (C) Both (A) and (B); (D) None of the above.
- 145. Mr. Sampson purchases a property on an installment sale basis using an all inclusive trust deed. According to federal income tax laws: (A) The buyer is not considered to have assumed the existing first loan in the year of the sale; (B) The buyer is considered to have assumed the existing loan in the year of the sale; (C) An all inclusive trust deed cannot be used on an installment sale; (D) In an installment sale, there can only be one trust deed or mortgage.
- 146. A note secured by a trust deed, carries an annual interest rate of 8.4%. The term of the note is 5 years, and the total interest paid over that period of time is \$5,460. Assuming this is a straight note with the balance due at maturity, the principal amount of the loan would be most nearly: (A) \$10,250; (B) \$13,000; (C) \$11,500; (D) \$15,000.
- 147. Winston paid \$4,500 cash for a promissory note secured by a second trust deed in the amount of \$5,000. The note contained an interest rate of 6% per annum, requiring payment of the principal one year from date of the note. Assuming the principal and interest were paid when due, the effective interest rate was most nearly: (A) 17.8%; (B) 16%; (C) 10%; (D) 6.7%.

- 148. Sanderson bought a home for \$90,000, paying 20% of the purchase price in cash and financing the balance at an interest rate of 9.5% which called for monthly payments of \$606 for a period of 30 years, such payments to include both principal and interest. Assuming Sanderson makes the payments as required, the percentage that the original cost of the home increased as a result of the use of credit will be most nearly: (A) 72%; (B) 125%; (C) 160%; (D) 162%.
- 149. According to appraisal theory, depreciation is measured in proportion to the expired: (*) Economic life; (B) Chronological life; (C) Physical life; (D) Technical life.
- 150. A licensee who speaks of a "grandfather" clause is probably referring to:
 (A) Inheritance rights of a direct descendant; (B) Public restrictions on the use of a property; (C) A change in zoning; (D) Continuation of a non-conforming use.
- 151. The owner of a corner lot which measures 100 feet by 100 feet put a 6-foot wide sidewalk along the entire street frontage on the outside of the property line. If the walk costs 60 cents per square foot, how much did the improvement cost? (A) \$698.40; (B) \$700; (C) \$720; (D) \$741.60.
- Johnson bought a parcel of land for \$63,360. Disregarding interest charges on any financing involved, property taxes, and all other variables, if it costs 12% of the future selling price to market this lot, how much must the property increase in value before it can be resold without loss? (A) 24%; (B) 112%; (C) \$4,320; (3) \$8,640.
- 153. The amount of a VA-guaranteed loan is limited to: (A) The assessed value of the property; (B) \$36,000; (C) 35% of the property appraisal; (D) Amounts shown on the certificate of reasonable value.
- Which of the following is generally regarded as a factor which does not effect neighborhood change? (A) Topography; (B) Employment trends; (C) Aging of the structures of a neighborhood; (D) Availability and cost of transportation.
- An appraisal to estimate market value involves the assumption that: (A) Normal financing is available as it applies to a typical purchaser; (B) No mortgage financing is employed; it is an all-cash transaction; (C) No FHA or VA financing is employed; (D) The appraiser must discover what financing the purchaser can obtain.
- In estimating the value of a parcel of real property, an appraiser considers the value of which of the following? (A) Bundle of rights; (B) Utility; (C) Physical land and the improvements thereon; (B) All of the above.
- 157. "The value of an object is created by and exists only in the mind of a man" affirms the economic concept of: (A) Objective value; (B) Inherent value; (C) Subjective value; (D) Cost approach to value.

- Inflation causes an increase in the value of the land. Such an increase would be described as: (A) Intrinsic value; (B) Highest and best use; (C) Economic obsolescence; (D) An unearned increment.
- According to economic theory, if interest rates increase and rents are stable, what is the effect on the value of rental properties: (a) Values will decrease; (B) Values will not be affected; (C) Values will increase; (D) Interest rates do not affect value.
- 160. Which of the following methods of appraisal is based on the principle of substitution? (A) Replacement cost approach; (B) Reproduction cost approach; (C) Market comparison approach; (D) Capitalization approach.
- 161. Of the following in a well-planned residential community, which contributes most to the maintenance of value? (A) Conformance to proper land use objectives; (B) Deed restrictions; (C) Variances to permit highest and best use of every parcel of land; (D) Prevention of major thoroughfare construction through the community.
- A reconstructed operating statement would include: (A) Payments on a trust deed; (B) Depreciation of the property for tax purposes; (C) Income taxes paid; (C) Costs of management.
- In estimating the value of a building by the replacement cost approach, an appraiser would include all of the following in his calculations except: (A) The cost of the improvements to the land; (B) A separate estimate for the value of the land; (C) Allowances for depreciation; (A) A proper capitalization rate.
- When appraising a portion of an income producing property, the value of the portion is measured by: (a) Its contribution to the net return of the project; (B) Its construction cost minus depreciation; (C) Its replacement cost; (D) None of the above.
- Broker Bob negotiates the sale of a house and acts as escrow agent. The seller has agreed to carry back a note and trust deed from the buyer and has instructed the broker to record all pertinent documents. Broker Bob must record the trust deed: Within one week of the close of escrow; (B) Within two weeks of the close of escrow; (C) Within 30 days of the close of escrow; (D) By the next business day after the close of escrow.
- 166. "Capitalization" is a process used to: (A) Find the interest rate; (B) Convert income into value; (C) Establish the market value; (D) Determine the net income.
- 167. The ultimate test of functional utility is the: (A) Maintenance costs; (D) Utility costs.

- Which approach to value would give the greatest consideration to the present worth of future benefits to be derived from ownership of the property? (A) Market data; (B) Cost; (C) Substitution; (D) Income.
- 169. Warren owns an apartment building and the following is an abbreviated financial statement for the property:

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	Gross Income \$25,000
	Fixed Expenses 7,000
	Operating Expenses . 8,000
ora i s } who had been to be \$4000000000000000000000000000000000000	Net Income 10,000

When compared with similar properties, it was learned that owner Warren had been charging less rent than he could have. It was found that Warren could increase the gross income by 10% if he raised the rents and the expenses would remain the same. Given this information, the net income would increase by: (A) \$1,000; (B) A proportionate amount; (C) 20%; (D) 25%.

- 170. In arriving at a current net income for an apartment complex, which of the following would be a valid expense item? (A) Depreciation; (B) Income taxes; (C) Addition of a club house; (D) Salary for a part-time gardener.
- 171. The measure of distance which a parcel of property abuts on a street is called the: (A) Front foot of the lot; (B) Frontage of the lot; (C) Street line of the lot; (D) Width of the lot.
- 172. In order to calculate accurately a gross rent multiplier, the appraiser would obtain from comparable properties the: (A) Net income and selling price; (B) Original cost and the annual income; (C) Annual rent and the selling price; (D) Net income and the capitalization rate.
- 173. An appraiser, using the land residual technique of appraisal, used the following information to estimate the land value: Building value \$120,000 Net income before recapture \$16,000 Estimated economic life 50 years Method of depreciation straight-line Interest rate/return on capital invested 8% Based on the preceding information, what would be the indicated land value? (A) \$30,000; (B) \$40,000; (C) \$50,000; (D) \$80,000.
- 174. If a broker receives a personal check made payable to an independent escrow company from a buyer as deposit on the purchase price, the broker: (A) Must have the buyer re-issue the check to the broker so that it can be placed in the broker's trust account; (B) Must maintain a columnar record of the deposit; (B) Must deliver the check to the escrow company prior to the close of escrow; (D) Is not required to maintain a record of the check since it was made payable to the escrow company.
- 175. Of the following, which is the most difficult for appraisers to measure accurately? (A) The replacement cost new; (B) The capitalized income; (C) The basic cost data; (D) The accrued depreciation.

- 176. A building that is an improper improvement to its site exemplifies: (A) Curable physical obsolescence; (B) Incurable functional obsolescence; (C) Incurable physical obsolescence; (D) Curable functional obsolescence.
- An example of economic obsolescence could be: (A) Excessive construction costs for a super adequate building foundation; (B) Excessive taxes on the property to support great unexpected civil expenditures; (C) The lack of a bathroom on the second floor of a two-story home; (D) Loss in value which resulted from neglect in maintaining the property.
- Excess land in site analysis: (A) May be identified as a positive or negative characteristic; (B) Is that portion of a parcel of land not utilized by the improvement; (C) Is that area by which a parcel of land is greater than the typical marketable lot; (D) All of the above.
- 179. Of the following, which is the most important factor to be considered when appraising commercial sites? (A) The proximity to shipping facilities and labor source; (B) The community's purchasing power; (C) Zoning regulations; (D) Amenities.
- 180. The transferor, the owner, or his agent, prior to the transfer of title to real property, must deliver to the transferee (buyer) a copy of the structural pest control report under which of the following conditions? The report must be provided: (A) Only if the transferee requires it as a condition of purchase; (B) If the transferee or the lender granting a purchase-money loan on the property requires such a report as a condition of purchase or granting the loan; (C) If the structural pest control report indicates infestation by termites; (D) Only if the lender requests it prior to making a purchase-money loan on the property.
- 181. FHA and VA loans have which of the following characteristics which is not present in most conventional loans? (A) No acceleration clauses; (D) No prepayment penalty clauses; (C) A restraint on alienation of title; (D) Criminal penalties if the borrower does not pay the loan
- Mr. Johnson is considering purchasing an industrial property. He is given the following information by the agent. Listing price, \$948,000; gross income, \$143,000; expenses, \$57,200; net income, \$85,800. He wants an overall return of at least 8%. His agent should advise him in which of the following ways? (A) Purchase the property since the capitalization rare is approximately 1.1% greater than required; (B) Purchase the property since the capitalization rate is approximately 7% greater than required; (C) Not purchase the property since the capitalization rate is approximately 3% less than required; (D) Not purchase the property since the capitalization rate is approximately 5% less than required.
- According to federal laws, the interest rate on a renegotiable rate mortgage can fluctuate a maximum of: 5%; (B) 10%; (C) 15%; (D) 20%.

- 184. According to economic theory, during inflationary periods, investors usually do not take long-term positions because: (A) They don't trust the Federal Reserve Board and its lack of control over interest rates; (D) They fear erosion of capital from escalating interest rates and short-term investments usually provide a higher yield; (C) Real estate is always the best investment; (D) Mortgages and trust deeds provide a higher yield than long-term investments.
- 185. Concerning real property, a joint tenancy interest and community property interest are alike in which of the following way(s)? (A) Ownership interests are equal; (B) Only a husband and wife are involved; (C) Both owners must join in any conveyance; (D) Both provide the right of survivorship.
 - 186. The income approach to value uses: (A) Gross multipliers; (B) Bands of investment; (C) Construction costs; (D) Capitalization.
 - 187. When auctioning off real property, the auctioneer is always required to accept a bid only if: (A) The sale is being made under the force of law; (B) The sale is as a result of judicial foreclosure; (C) The auction is being conducted without reserve; (D) The bid is within 15% of the announced minimum bid.
- 188. Which of the following types of properties is not exempt from the requirement that the transferee must be given a Transfer Disclosure Statement: (A) Properties which are being transferred between co-owners or spouses; (B) Properties being sold under court order or by foreclosure; (C) New homes on which a DRE Public Report has been issued and given to the transferee; (D) Residential resale properties.
- 189. In a community which is properly developed, real estate values are upheld by:

 (A) Disregard of private restrictions; (B) Required conformity to land use objectives; (C) Free use of land; (D) All of the above.
- One of the unique characteristics of a purchase-money deed of trust is that it is: (A) Always used when the property contains more than 4 dwelling units; (B) Never used when the seller is carrying back the loan; (C) Exempt from a deficiency judgment in certain situations; (D) Always used on equity lines of credit.
- When considering the time sequence of the following liens, which would be the usual order? (A) Judgment, attachment, execution; (B) Execution, judgment, attachment; (C) Attachment, judgment, execution; (D) Attachment, execution, judgment.
- Which of the following would be required to have an active real estate license?

 (A) An attorney-in-fact selling property for his principal; (B) An attorney at law acting as a real estate broker; (C) A trustee selling under a deed of trust; (D) A real estate appraiser.

- Broker Mason was asked by Broker Keith to assist him in selling a 40-acre ranch that Broker Keith had listed from Seller Dudley. The two brokers agreed that the commission would be split on a 50-50 basis if Broker Mason could produce a ready, willing and able buyer. A short time later, Broker Mason did produce a buyer and a sale was consummated. After closing, Broker Keith refused to pay Broker Mason the agreed-upon portion of the commission. To obtain the commission due, Broker Mason should file an action: (A) In both civil and criminal court; (C) With the real estate licensing entity; (D) With both the real estate licensing entity; (D) With both the real
- Mr. Jones borrowed \$988 at an annual interest rate of 61/2% on a straight note. He paid the loan off 3 years, 10 months, and 20 days later. What was the approximate interest that he paid on the loan? (A) \$200; (B) \$225; (C) \$250; (D) \$275.
- The broker secured a listing and had the seller sign only one copy. He took that copy to the office to have duplicates made, telling the seller that he would mail him his copy within 3 business days. Under these circumstances, which of the following would be true? (A) The seller will be given his copy in escrow; (B) Inasmuch as the seller had signed a statement stating that he had received a copy of the listing, that would be sufficient protection for the broker; (C) The broker could be disciplined by the Commissioner; (D) The broker has done nothing wrong.
- Harris bought an apartment building for \$90,000, giving the seller \$30,000 cash and assuming an existing trust deed of \$60,000 on the property. Harris also agreed to pay delinquent property taxes in the amount of \$2,400, paid \$1,150 in recording and miscellaneous fees, and agreed to pay 50% of the listing broker's 5% commission. For tax purposes, Harrises' basis in the property is: (A) \$9,240; (B) \$90,000; (C) \$95,800; (D) \$99,200.
- 197. A real estate investor is considering the nature and quality of investment opportunities of a real estate venture. He would probably give least attention to which of the following? (A) The quantity and safety of the required initial capital outlay; (B) The quantity and safety of periodic or annual income; (C) The amount of protection against inflationary pressures; (D) The liquidity of invested capital.
- Mr. Jones is considering the purchase of a major shopping center, and is negotiating a loan with the Alliance Life Insurance Company. The insurance company has told Mr. Jones that they will charge an interest rate of 9% per annum. Mr. Jones has asked the insurance company to reconsider and give him a lower interest rate. The insurance company then suggested that they would lower the interest ½% per year, if Mr. Jones would grant the insurance company a 2% equity position in the shopping center. If Mr. Jones agrees, this will be known as: (A) An interim loan; (B) A package loan; (C) A participation loan; (D) A management loan.

- "Footing" refers to which part of a newly constructed house? (A) The 199. timbers that support floorboards or heavy plywood with the conventional foundation; (B) Heavy masonry courses put in the ground upon which the masonry foundation rests; (C) Blacktop over a concrete slab; (D) The spaces between the joists in the subfloor.
- A real estate broker was hired by the owner of a four-plex apartment 200. building to obtain a \$200,000, twenty-five-year loan on the property. He wants the loan to refinance the existing 8% loan secured by a first trust deed. The owner of the four-plex did not live in the building. Under the Truth-in-Lending Laws, which of the following is true? (A) The broker must give the owner a Truth-in-Lending Disclosure Statement; (B) The loan is not being made for consumer credit, and is, therefore, exempt from the Truth-in-Lending Law. A disclosure statement does not have to be given unless the owner lives in the building; (C) A disclosure statement is required from the lender, not the broker; (D) Apartments containing four or more units are exempt from the Truth-in-Lending Laws.

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- 1. (B) Stratified means different levels. People acquire property for a specific purpose such as residential, business, investment, agricultural and industrial. Therefore, demands fall within certain definable levels.
- 2. (B) A mortgage grants the mortgagee the right to have the property sold in the event of a default and is an interest in the property, but only a security or collateral interest and is not real property. A remainder estate, a reverting estate, and a leasehold are all estates or interests in real property.
 - 3. (C) By definition.
- 4. (B) A leasehold interest, whether it be an estate for years, an estate at will, etc., is considered to be a personal interest in real property and therefore would be personal property.
 - 5. (A) The lease is cancelled. The tenant would have a periodic tenancy, but since the rent is paid quarterly, it would not be a month-to-month tenancy, but a quarter-to-quarter tenancy.
 - 6. (D) Carson has granted a leasehold interest to Gimball, but reserves a reversionary interest in that the possession will revert to Carson upon termination of the lease.
 - 7. (A) The covenant of quiet enjoyment and possession is an implied covenant when leasing property.
- 8. (B) The trust deed is simply the security for the debt. The debt is evidenced by the note. Therefore, the lien of the trust deed is merely incidental to the debt.
- 9. (A) California law provides that all security deposits must be refunded if the tenant fulfills all obligations under the lease.
- 10. (B) A transfer of anything less than the entire leasehold in time, space, rights, or interest is considered to be a sublease. A transfer of all interest is an assignment.
- 11. (C) State law limits the security on an unfurnished residence to no more than two months rent.
- 12. (D) All easements are real property.
- 13. (D) A net lease is one in which the lessee (tenant) assumes responsibility for the taxes and insurance, thus providing a net income for the lessor (landlord).

- 14. (D) The amount of an FHA loan will be the lower of the FHA appraisal or the selling price.
- 15. (C) By definition, tenancy is the method or mode of holding title.
 - 16. (B) In the event a broker, as agent for a principal, relies on misinformation the principal has provided the broker, the courts will apply the reasonable, prudent person test to determine if there is a liability on the part of the agent. In the circumstances given, the broker acted in good faith and would therefore be indemnified from the loss.
 - 17. (B) A co-tenant cannot create an easement on all of the property on behalf of all of the owners.

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- 18. (C) To find the reciprocal of a percentage, you first convert it into a fraction (8% = 8/100). You then reverse the numerator and the denominator of the fraction (100/8). 100 divided by 8 = 12.5.
- 19. (D) An administrator is one appointed by the court and would therefore not be named in the will.
- 20. (B) VA loans have no down payment.
- 21. (D) By definition, avulsion is the sudden and violent tearing away of land from the bank of a river.
- 22. (B) According to the standard deposit receipt, the seller would have to pay to bring the property up to applicable city codes.
- 23. (B) The exercise of zoning authority by a governmental body is under the police power, not the right of eminent domain.
- 24. (D) A fraudulently altered deed does not convey title; hence, Lawrence never owned lot 5, therefore Chase never owned it.
- 25. (D) Fee title is always moved by a valid deed from the owner. The other answers are sometimes necessary depending on the circumstances, but not always so.
- 26. (A) Recording of instruments which encumber or transfer real property is a method of giving the world constructive notice, not actual notice.
- 27. (B) This is what the law requires.
- 28. (D) The disadvantage of a warranty deed is that it is the grantor who personally guarantees the title. If, at a later date, there are title problems and the grantor has no resources, it will be financially impossible for him to defend the title in court.

- 29. (A) A lien is a claim for money; the other choices might be encumbrances, but only an attachment in that list is a lien.
- 30. (B) An abstract of judgement in the amount of \$12,500 would create a general lien against any and all property of the debtor. The lien may be filed in any county.
- 31. (D) When a lender charges interest on a real estate loan, the effective yield could be increased by a mortgage discount.
- 32. (B) If the broker is the only one working on the loan (exclusive listing), the listing can be for no more than 45 days.
- 33. (D) In an easement in gross, there is no dominant tenement, and the easement does not create an easement appurtenant. If it is transferred, it must be transferred in writing.
- 34. (C) The easement described would be a conservation easement.
- 35. (C) A tenant has the right to grant an easement, but only for the term of the lease.
- 36. (C) Restrictions of a beneficial nature would be an encumbrance.
- 37. (D) Elderly people who want to defer their property taxes would contact the State Controller's office.
- 38. (C) Despite the agreement, an owner may erect a "For Sale" sign of reasonable dimensions.
- 39. (C) By definition.
- 40. (B) When governmental agencies wish to control property use through setbacks, area size and building heights, the governmental agency would exercise their police power through the implementation of zoning ordinances and regulations.
- 41. (D) The correct term for the situation is a non-conforming use.
- 42. (C) $50 \times 2640 = 132,000 \text{ sq. ft.}$ $50 \times 1320 = 66,000 \times 3 = 198,000 \text{ sq. ft.}$ 132,000 + 198,000 = 330,000 sq. ft.Then there are 3 squares of land measuring 50 ft. by 50 ft. where the strips crossed that we have counted twice, so we need to subtract them. $50 \times 50 \times 3 = 7,500 \text{ sq. ft.}$ 330,000 7,500 = 322,500 sq. ft. 322,500 divided by 43,560 = 7.404 acres $7.404 \times \$60 = \444.24

- 43. (D) A deed of reconveyance is used to convey title to property from a trustee to a trustor when the debt is paid in full. Whereas, a trustee's deed is used to convey title to property to a purchaser at a trustee's sale.
- 44. (D) California Civil Code 2924F requires that procedure.
- 45. (D) Government liens and assessment bonds take precedence over all other liens.
 - 46. (A) When a buyer takes title "subject to" an existing loan, rather than "assuming" the loan, any loss would be confined to the buyer's equity in the event of a foreclosure. The buyer would not have any personal liability beyond the equity/collateral pledged.
 - 47. (C) An "or more" clause in an installment note permits an accelerated payoff, meaning that the borrower can pay the specified amount or more.
- 48. (D) A subordination clause in a mortgage allows other liens to be placed against the property and take priority over preceding recorded liens.
- 49. (A) $$320 \times 12 \times 10 = $38,400 \text{ payments}$ \$22,500 + 19,827.60 = 42,327.60 amount owed
- 50. (C) Recording gives priority; the first to record is generally first in right.
- 51. (C) A writ of execution is a court order providing for the forced sale of the property.
- 52. (B) The standard policy of title insurance does not protect against unrecorded liens and easements; it does protect against the other risks listed.
- 53. (D) The maximum is limited by law to \$100,000.
- 54. (B) An appraiser never averages; he reconciles. That means that he considers which approach applies most to this type of property and weights that heavier in the final estimate.
- 55. (D) This is the definition of a standby commitment.
- 56. (B) Statement of fact.
- 57. (C) In a single agency, the agent represents only one party his client.
- 58. (D) Property tax and assessment liens have priority.
- 59. (A) FHA loan payments must be monthly.

- 60. (B) The enforcement of the California anti-discrimination laws is the responsibility of the Department of Fair Employment and Housing (formerly, Fair Employment Practices Commission).
- 61. (D) All of the listed remedies are available.
- 62. (C) The Federal Fair Housing Act prohibits any type of blockbusting/panic peddling on the basis of race, religion, sex or national origin in an attempt to induce individuals to buy, sell or lease. Such conduct is discriminatory.
- 63. (C) Because the supply is relatively fixed, demand varies widely.
- 64. (B) Changes in the Consumer Price Index often result in adjustments to the rent charged in commercial leases.
- 65. (B) A seller's market indicates demand greater than supply.
- 66. (A) A debtor benefits most from the effects of inflation because the debtor is paying the debt with dollars that usually will be decreasing in value.
- 67. (D) When corporate and government bonds become more attractive investment vehicles, they siphon money out of the traditional source of real estate loans.
- 68. (C) At the time of purchase, Carter's equity was \$4,000 on a price of \$80,000 (5%). Following the added payments, his equity was \$4,000 on a price of \$72,000 (18 x \$4,000) which is 5.55%.
- 69. (A) Federal land banks are primary lenders on large tracts of land; FNMA and GNMA are secondary market organizations; and the FHLBB is the regulatory agency for federal savings and loan associations.
- 70. (C) In a tight money market, buyers tend to assume existing loans and sellers tend to carry back second trust deed loans to finance the property.
- 71. (C) The beneficiary or lender would issue a request for partial reconveyance to the trustee who would then issue a partial reconveyance deed.
- 72. (D) Escrow instructions are executed (signed) by the parties to the escrow and are executed (performed) by the escrow officer.
- 73. (B) The secondary market is typified by the sale of existing loans between investors.

- 74. (C) The way that people spend their disposable income influences the amount of money available for housing and the type of housing that they will demand.
- 75. (B) (1) $$80,000 \times 21.25\% = $63,000 \text{ loan amount}$

(2) $$63,000 \times 10.25\% = $6,457.50$ annual interest

- (3) \$6,457.50 divided by 12 = \$538.13 monthly interest
- (4) \$978 divided by 36 = \$27.17 monthly insurance
- (5) \$800 divided by 12 = \$66.67 monthly taxes
- (6) \$538.13 + \$27.17 + \$66.67 + \$119 = \$750.97
- 76. (D) Investors in a general partnership incur unlimited personal liability for the debts of the partnership.
- 77. (D) The most common form of organization used in creating a real estate syndicate is usually a limited partnership, due to the ease of organization and the fact of limited liability.
- 78. (D) Such trusts offer all of the other advantages, but do not necessarily provide income which is free from current tax liability.
- 79. (C) By California law, a clause in a real property sales contract on residential property in a subdivision which prohibits a prepayment by the buyer, is void by law. The contract would stand, but the clause is unenforceable.
- 80. (C) GNMA guarantees timely payment of the interest.
- 81. (D) When both have signed the contract, the vendee receives equitable title (the right to use and possess). The vendor retains legal title until the terms of the contract are met.
- 82. (C) Impounds are for those items which could result in the loss of title.

 Interest is not subject to such accumulation by the lender.
- 83. (D) Under the Federal Truth-in-Lending Law, the appraisal fee may not be included as a finance charge.
- 84. (C) Truth-in-Lending (Regulation Z) applies to both personal and real property loans.
- 85. (D) All of these would be important when determining the economic life of a building which is the period of time that it earns sufficient income to justify its continued existence.
- 86. (B) FHA loans prohibit the use of an alienation clause.
- 87. (D) HUD does not require two handrails on stairways.

- 88. (C) A broker may escrow his own transaction, with or without fee, without being licensed as an escrow agent.
- 89. (B) Prepaid rent would be unearned by the seller and therefore would appear on the seller's closing statement as a debit item and would appear on the buyer's closing statement as a credit item.
- 90. (D) In agreeing to accept the property in "as is" condition, the buyer is not waiving any hidden defects; only the observable defects.
- 91. (C) As of August 1, two months taxes are due to bring the account current (July 1 and August 1) equaling \$60 each month (i.e., \$120). In addition, the lender can require a maximum of two months reserve at \$60 per month (i.e., \$120). Therefore, \$120 covering July and August, and two months reserves at \$120 equals \$240.
- 92. (C) The Subdivided Lands Act requires that advertising for a land project be approved prior to use, unless the project is exempted.
- 93. (B) That is the meaning of the term "executed."
- 94. (B) An exclusive right to sell listing agreement contains the promises made by the seller and the promises made by the broker. In essence, the listing contract spells out the conditions and terms under which the seller will pay the broker a commission for performing in the transaction as agreed upon.
- 95. (D) A minor cannot enter into a contract because minors lack legal competence.
- 96. (D) Each of the adjectives makes an appropriate phrase when used with the word "consideration."
- 97. (B) Before the courts will order a person to specifically perform a contract, it must be assured that the value is essentially equal to the consideration.
- 98. (C) The Statute of Frauds does not require written contracts between brokers to share the commission.
- 99. (D) The law of agency is primarily concerned with the rights, duties, limitations and obligations between and among the agent, the principal, and third parties.
- 100. (D) The property residual technique is a standard capitalization problem.
- 101. (B) The broker can resign the agency at any time but could be liable for damages.
- 102. (D) An agent must inform the principal of all offers for the property.

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- 103. (D) The obligations of a fiduciary/agency relationship require an agent to keep the principal fully informed of all material facts which are relevant to the pending transaction.
- 104. (D) Intentional failure to disclose all material facts is fraud.
- 105. (D) California law requires that all listings be in writing or some note or memorandum to the effect of the listing. In the situation given, Broker Jacobs did not have a valid listing and, therefore, would not be entitled to any commission.
- 106. (D) A broker has a legal responsibility to provide customer-prospects with factual information pertinent to a transaction. In the event the agent gives potentially false information, the broker would be liable, even if it were a matter of a mistake.
- 107. (B) All material facts must be revealed to the buyer, whether or not the buyer asks.
- 108. (A) In a nonexclusive listing, only the broker who is the "procuring cause" of the sale receives the commission.
- 109. (B) Under an exclusive authorization and right to sell listing, the seller agrees to pay the broker if the property is sold at any time during the term of the listing by anyone. Therefore, the broker would not need to prove that the broker was the procuring cause.
- 110. (D) Any "as is" provisions in a contract will only cover reasonably visible and observable defects which a normal, reasonable person could observe on inspection.
- 111. (C) A binding contract does not exist until an offer has been accepted and the acceptance of the offer communicated back to the offeror. Prior to such time, the offeror, for any reason whatsoever, could withdraw. In the case given, the offeror's death automatically terminates the offer.
- 112. (B) $100 \times 145.2 = 14,520$ sq. ft. divided by 43560 = 1/3 acre \$78,300 divided by 9 = \$8,700 per acre \$8,700 divided by 3 = \$2,900
- 113. (A) The maximum amount of the security deposit on residential rental property is limited by whether or not it is furnished and the length of the lease.
- 114. (D) No separate contract is necessary if the option is accurately drawn for it would bind the parties to the transaction.
- 115. (D) Loss on the sale of a personal residence is not deductible; loss on the sale of rental property might be deductible.

- 116. (D) The basis is adjusted periodically to reflect the depreciation claimed on the income tax return.
- 117. (C) When the property one owns is held for sale to customers, that property is classified as dealer property.
- 118. (D) Of the items listed, the wooden fence would be a capital improvement, and its cost is not deductible in the year installed but can be depreciated over the life of the property.
- 119. (D) Such referral fees are strictly prohibited by California law.
- 120. (D) It is a violation of the real estate law for a licensee to claim or receive a commission on an exclusive listing that does not contain a specific termination date. The proposed clause would need to be supplemented by some method of establishing a date certain when the listing would end.
- 121. (D) Agreements on the use and cost of the Heating, Ventilating and Air Conditioning systems are detailed in the part of the lease designated "HVAC".
- 122. (C) The more restrictive of the two laws would be enforced.
- 123. (B) The Public Resources Code provides that any person who is acting as an agent for a seller of real property which is located within a delineated special study zone must disclose to any prospective purchaser the fact that the property is located within that zone. Geological reports must be obtained by cities or counties for all projects approved by them if they lie within such a zone.
- 124. (D) Improvement bonds would result in liens against the property. We do not know that he can issue corporate stock since there is no mention of a corporation, and a land contract would not raise cash for the improvements. Interim loans from institutional lenders would be construction loans.
- 125. (B) Section 1360 of the California Civil Code requires that all prospective purchasers of any type of residential property involving shared facilities must be given a copy of the C.C.&R.s, articles of incorporation, and bylaws as soon as practical before the transfer of title or the execution of a real property sales contract.
- 126. (D) It is the responsibility of the developer/subdivider to assure the availability of such items in new subdivisions.
- 127. (B) Any required visit or attendance at a sales presentation must be disclosed when offering the gift or prize.

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- 128. (B) The Real Estate Commissioner's public report would be the best source for information of this type.
- 129. (D) Replacing the heating system is a capital improvement which must be added to the cost basis of the property and depreciated.
- 130. (C) This is the legal definition of a condominium.

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- 131. (B) Under the California Subdivision Law, changes in prices for which the public lots are offered for sale is not considered to be a material change and need not be reported to the Real Estate Commissioner.
- 132. (C) Sales are found on a profit and loss statement but not the balance sheet which lists only assets, liabilities and net worth.
- 133. (D) The terms of the contract determine the broker's authority.
- 134. (B) Riparian rights can be severed from the property by prescription or be condemnation. Remember, the government can do a lot of things for the good of the public.
- 135. (D) Answer "D" contains the required wording.
- 136. (A) When tide water is the boundary in a deed, the title is conveyed to the mean high tide line rather than the low water mark.
- 137. (B) Bounds are the boundaries; metes are measures of length.
- 138. (B) On an unrestricted license, the commissioner must hold a hearing before he can suspend or revoke the license.
- 139. (D) Licensees seldom are malicious in their misrepresentations; they are often innocent or negligent, and sometimes fraudulent.
- 140. (B) \$375,000 \$100,000 = \$275,000\$275,000 divided by 27.5 = \$10,000
- 141. (B) On his savings account, Davis would earn \$400 interest (5% times \$8,000), but would have to pay income tax on that income at a 22% rate (\$88.00 tax). Thus, his net income from the savings account would be \$312 a year. He avoids \$480 in interest charges by applying those funds to his mortgage (\$8,000 times 6%). He would lose 22% of that amount, since he would not be able to take the deduction on his federal tax return. The loss would be \$105.60 (\$480 times 22%). Thus, his net savings on the mortgage interest would be \$374.40. Hence, if he saves \$374.40 on mortgage interest and loses \$312 on interest income, his net savings would be \$62.40.

- 142. (D) (1) $$1,400 \times 15\% = 210 discount
 - (2) \$1,400 \$210 = \$1,190 purchase price
 - (3) $$122 \times 12 = $1,464$ payments collected
 - (4) \$1,464 \$1,190 = \$274 yield
 - (5) \$274 divided by \$1,190 = 23.025%
- 143. (A) Special assessments are used to pay for local improvements with benefit a limited local area.
- 144. (B) The Subdivision Map Act gives control over subdivisions to the local city or county.
- 145. (A) This is what the income tax laws say.
- 146. (B) The annual interest cost would be \$1,092 (\$5,460 divided by 5). Dividing the annual interest cost by the interest rate (\$1,092 divided by 8.4%) gives a principal balance of \$13,000.
- 147. (A) (1) \$5,000 \$4,500 = \$500 discount profit
 - (2) $$5,000 \times 6\% = 300 interest
 - (3) \$500 + \$300 = \$800 total profit
 - (4) \$800 divided by \$4,500 = 17.8% effective yield
- 148. (D) (1) $\$90,000 \times 1/5 = \$18,000 \text{ cash}$
 - (2) \$90,000 \$18,000 = \$72,000 loan
 - (3) $$606 \times 12 \times 30 \text{ years} = $218,160 \text{ total payments}$
 - (4) \$218,160 \$72,000 = \$146,160 total interest
 - (5) \$146,160 divided by \$90,000 = 1.624%
- 149. (A) An appraiser is concerned about the economic life (the useful life) of the property and would measure the depreciation on the basis of the economic life.
- 150. (D) A grandfather clause provides that existing uses are "grandfathered" when new zoning is enacted; they may continue with the present use under certain limitations.
- 151. (D) The sidewalk would measure 100×6 on the front; 100×6 on the side; and would also require a 6×6 sidewalk at the corner (to connect the front and side sidewalks). 1236 square feet $\times 60$ cents = \$741.60.
- 152. (D) (1) 100% 12% = 88% portion of the future selling price that is merely the recovery of purchase cost
 - (2) \$63,360 divided by 88% = \$72,000 minimum selling price
 - (3) \$72,000 \$63,360 = \$8,640 necessary appreciation
- 153. (D) A VA loan is limited to the amount of the government appraisal, the CRV.

- 154. (A) Topography does not produce neighborhood change.
- 155. (B) To estimate the market value, the appraiser assumes that the transaction is all cash with no mortgage financing being used.
- 156. (D) The appraiser must consider all factors which might affect the value of the subject property. Certainly the utility (the usability) of the property is important, and so is the value of the specific rights that is left in the "bundle" of rights.
- 157. (C) The value of an object as it is created by and exists only in the mind of a man affirms the economic concept of subjective value.
- 158. (D) By definition.
- 159. (A) If interest rates increase, the capitalization rates should also increase. If the cap rate increases and the rent stays the same, the value of the property will decrease.
- 160. (C) The principle of substitution is the basis of the market data approach.
- 161. (A) Conformance with property land use objectives is the primary factor in maintaining high property values. It might include the prevention of major thoroughfare construction, deed restrictions and variances to permit highest and best use, but since it is the broadest answer, it is the best.
- 162. (D) The operating statement on an income property should show costs of management.
- 163. (D) The capitalization rate is used for income or capitalization approach, not the replacement cost approach.
- 164. (A) The Principle of Contribution would apply. An example of "a portion of an income producing property" might be a swimming pool.
- 165. (A) The law requires the broker to record within one week.
- 166. (B) The annual net income is capitalized at a percentage rate (capitalization rate) to determine the value. By using the capitalization process, the appraiser arrives at value by an analysis of the income.
- 167. (B) Marketability and acceptability by the public is the ultimate test of style and design (functional utility).
- 168. (D) The income (capitalization) approach estimates the present worth of the future income.

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- 169. (D) (1) $$25,000 \times 10\% = $2,500$
 - (2) \$2,500 + \$25,000 = \$27,500 gross income
 - (3) \$27,500 \$15,000 = \$12,500 net income
 - (4) \$12,500 divided by \$10,000 = 1.25 = 125%

Therefore, the \$10,000 former net income equals 100%. The \$12,500 new net income equals 125% with an increase of 25% over the former.

- 170. (D) In arriving at the net income for an apartment complex, the salary of a part-time gardener would be a valid expense item. Depreciation, the addition of a club house, or income taxes are not valid deductions as expense items.
- 171. (B) According to the textbooks, this is the frontage of the lot.
- 172. (C) The gross rent multiplier is arrived at by dividing the monthly or annual gross rent into the selling price of the property.
- 173. (C) (1) 50-year life = 2% per year for recapture of the building life.
 - (2) 2% for recapture of 50-year building life + 8% for return on capital invested (i.e., return on land) = 10% return "of" and return "on" property value
 - (3) \$120,000 building value x 10% recapture "on" and "of" capital invested = \$12,000 net income attributable to the building
 - (4) \$16,000 net income \$12,000 return = \$4,000 net income attributable to the land
 - (5) \$4,000 land net income divided by 8% return rate = \$50,000 land value
- 174. (C) The broker must maintain a record of the check, but it need not be in columnar form; it cannot be deposited in his own trust account since it was made payable to the escrow company. The broker is required to forward the check to the escrow company promptly once escrow has been opened at the very least prior to the close of escrow.
- 175. (D) A new building is easier to appraise by the cost method than an older building because there is less accrued depreciation.
- 176. (B) If the building does not fit the site, the obsolescence is functional rather than physical and would be considered primarily incurable because the cost to correct would be prohibitive.
- 177. (B) Economic obsolescence is outside the property lines; hence, only answer "B" meets that criteria.
- 178. (D) Excess land in a site analysis is considered to be that portion of a parcel of land not utilized by the improvements, that area by which a parcel of land is greater than the typical lot size, or may be identified as a positive or negative characteristic.

- 179. (B) A community's purchasing power would determine the demand for commercial sites.
- 180. (B) If either the buyer or the lender requires it as a condition of purchase or the granting of a loan, the report must be provided.
- 181. (B) Prepayment penalty clauses are not allowed on FHA and VA loans but are quite common on conventional loans.
- 182. (A) \$85,800 divided by \$948,000 = 9.05%. If he buys for the listed price he would have a return of 9.05%.

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- 183. (A) It is limited by law to 5%.
- 184. (B) Statement of fact.
- 185. (A) In both a joint tenancy and community property title vesting, the ownership interest must be equal.
- 186. (D) The income approach is the same as the capitalization approach.
- 187. (C) When a property is sold at auction and there is no reserve, any legitimate bid must be accepted.
- 188. (D) Of the categories listed, the Transfer Disclosure Statement is required only for residential resale properties.
- 189. (B) Statement of fact.
- 190. (C) A purchase-money loan on the borrower's residence is exempt from a deficiency judgment in certain cases.
- 191. (C) Statement of fact.
- 192. (B) Although attorneys at law may deal with certain aspects of real estate without a license, such as in probate matters, they may not act as a real estate broker without a real estate license.
- 193. (B) If a real estate broker does not receive the agreed-upon share of a commission from another broker, the injured broker may resort to a civil court suit.
- 194. (C) \$988 x 6.5% = \$64.22/annually or \$5.35/monthly
 3 years = \$192.66
 10 months = 53.50
 20 days = 3.57
 \$249.73 total interest
- 195. (C) Failure to give a copy of the listing or deposit receipt to the person signing when he signs it is a cause for discipline.

- 196. (C) Adding together the purchase price of \$90,000, plus the additional amounts expended to become the owner (\$2,400 taxes, \$1,150 in recording and miscellaneous fees, and commission of \$2,250), the total basis in the property would be \$95,800.
- 197. (D) Although the liquidity of real estate is a factor, given the other choices, he would probably give least attention to the liquidity.
- 198. (C) Statement of fact.
- 199. (B) Statement of fact.

200. (B) If the property is not owner-occupied, the loan is regarded as a business loan, and is therefore exempt.

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