

1. A joint tenant can dispose of an interest held in real property by all of the following ways, except: (A) Lease; (B) Sale for excess consideration; (C) Will; (D) Mutual agreement.
2. "Of indefinite duration" is a characteristic which is particularly descriptive of an: (A) Estate for years; (B) Estate for period; (C) Estate of inheritance; (D) Estate less-than-freehold.
3. John sold a property to Sam on an installment sale for income tax purposes. The buyer assumed an existing loan which exceeded John's basis in the property. John thus had loan relief (excess mortgage over basis). The excess amount must be: (A) Deducted from the basis; (B) Made a part of the sales price; (C) Added to the basis; (D) Made a part of the down payment whether cash was received or not.
4. Gomez, as landlord, and Silva, as tenant, entered into a one-year percentage lease with a renewal clause which specified that the rent during the renewal period would be computed on the average of rent paid during the one-year lease. The monthly rent payments on the original lease were \$205 plus 2% of the tenant's gross annual receipts over \$10,500. The tenant's gross receipts averaged \$12,750 per month during the first year of the lease. Which of the following would be the monthly lease payments Silva would have to pay during the renewal period of the lease: (A) \$207.50; (B) \$231.75; (C) \$261.25; (D) \$501.88.
5. A single-family residence sells for \$90,750 with an existing \$30,000 first trust deed lien which the buyer assumed. There are no other liens or encumbrances in existence at this time. The property was subject to the documentary transfer tax at the rate of \$0.55 per \$500. This would result in a tax of most nearly: (A) \$57; (B) \$67; (C) \$83; (D) \$100.
6. When property is destroyed or taken by a governmental entity for public use, and money is paid to the owner, which of the following terms describes that event: (A) Subrogated recessions; (B) Involuntary conversion; (C) Economic obsolescence; (D) Exchange of conveyance.
7. A brother and sister held title to a duplex as joint tenants. Other than this property, their business and personal affairs were conducted separately. When the brother died, he was insolvent, and owed several creditors substantial unsecured amounts of money. Title to the duplex would now be held by the sister: (A) Subject to the processes of probate; (B) Subject to the claims of the creditors; (C) Free of the debts of the brother; (D) As tenant in common with the lessees of the duplex.

8. In addition to the land and those things that are attached to the land, certain things are called appurtenances and are real property. Which of the following would not be an appurtenance: (A) Watercourses; (B) Trade fixtures; (C) A dwelling; (D) A fence.
9. When owners hold title as tenants in common, each person: (A) Owns an unequal share in the property; (B) Does not own a specific part of the property; (C) Must have acquired his interest at the same time as the other two; (D) Must be mentioned in the single title instrument (will or deed).
10. If two or more parties own property as tenants in common: (A) The last surviving owner holds title to the property in severalty; (B) Each party owns an equal interest; (C) None of the parties may transfer their interest by will or intestate succession; (D) Each party may transfer their interest separately.
11. Each owner in a tenancy in common: (A) Has the right to possession of all of the property; (B) Cannot institute a partition action to have the court divide the property; (C) Cannot convey their interest without the consent of the others; (D) Can exclude the other owners from possessing any of the property.
12. When a governmental body, such as a city or county, takes private land for public use, that process is governed by law. Such a taking is accomplished through the exercise of the right of: (A) Rescission; (B) Police power; (C) Eminent domain; (D) Reversion.
13. In the field of real estate, the doctrine of escheat most nearly refers to the legal process which is used to: (A) Legally enforce the taking of private property for public use; (B) Cause title to certain real estate to revert to the state; (C) Legally enforce the partition of real estate; (D) Distribute the assets of the estate of a deceased person.
14. When a dam broke, the flow of water cut a strip of land from the river bank. This would be known as: (A) Accretion; (B) Alluvion; (C) Reversion; (D) Avulsion.
15. Which of the following statements concerning options is false: (A) The provisions of the lease, in a lease option, are sufficient consideration for the option; (B) The optionee has no rights in the land; (C) The option binds the optionee to performance; (D) The optionee must give the optionor some consideration.
16. In a well established residential neighborhood, government officials offered to buy the front portion of all lots on both sides of the street. The plan was to widen the street to make a highway. Ms. Clark, one of the homeowners, objected and refused to sell. The city attorney began a condemnation action and Ms. Clark was eventually ordered by the court to sell. This illustrates an exercise of: (A) Partition; (B) Severance; (C) Eminent domain; (D) Police power.

17. Seller Martin agreed to give a listing to Broker Hags, provided that Martin would net \$37,000 from the sale after paying the broker's 4% commission and settlement costs of approximately \$600. Under these circumstances, Broker Hags should list the property for at least: (A) \$37,000; (B) \$38,261; (C) \$39,228; (D) \$39,167.

18. Sampson owned a triplex valued at \$160,000, with an adjusted basis of \$70,000. King owned a duplex valued at \$155,000. Both properties were owned free and clear. They exchanged their properties, with King giving Sampson \$5,000 in cash. For Federal Income Tax purposes: (A) Both will be taxed on the difference between the value and the basis; (B) King has a taxable gain; (C) Sampson has a recognized gain; (D) Neither has a taxable gain.

19. When a judgment is duly recorded, subsequent buyers and innocent purchasers who are ignorant of the recording have received: (A) Actual notice; (B) Constructive notice; (C) Voidable notice; (D) Contingent notice.

20. Of the following, which is the best definition of a balloon payment: (A) The tenth annual payment on a 30-year loan; (B) The required payment of the interest that has accumulated prior to the first regular installment; (C) The required payment of the entire balance due; (D) A payment required to prevent the imposition of a prepayment penalty.

21. A purchaser of real property received a grant deed and a standard policy of title insurance. Which of the following items would be warranted by the seller, but not insured by the title policy: (A) That the grantor was indeed the owner of the property; (B) That there were no undisclosed liens against the property suffered by the grantor; (C) That there are no forged deeds in the chain of title; (D) That the grantor is competent to convey the property.

22. In a published advertisement for real estate, which of the following inclusions is considered adequate notice that the ad has been placed by a real estate licensee: (A) Bro.; (B) Agt.; (C) Either of the above; (D) None of the above.

23. Which of the following would not be classified as a specific lien, even if properly recorded: (A) A mechanic's lien for labor furnished on real property; (B) A blanket mortgage which does not contain a release clause; (C) A judgment for punitive money damages; (D) Taxes on an unimproved parcel of real property delinquent for three years.

24. In order to negotiate the sale of an existing promissory note that is secured by real estate, working on behalf of another and for consideration, you must be: (A) A loan broker or his affiliated agent; (B) A licensed real estate broker or salesperson; (C) A real property securities dealer licensed by the Department of Corporations; (D) Licensed by the Securities and Exchange Commission.

25. Of the following, which one would be classified as a lien: (A) A notice to pay or quit; (B) An attachment; (C) A homestead; (D) All of the above.

26. The existence of an easement appurtenant requires all of the following, except: (A) At least two tracts of land in separate ownership; (B) Adjoinment at their respective borders by the dominant tenement and servient tenement; (C) Transferability with the land as an incident thereto; (D) A benefit to one tract of land and a burden to another.

27. Which of the following is an interest, but not an estate, in real property: (A) Remainder; (B) Mortgage; (C) Reversion; (D) Easement.

28. When using the market data approach in the appraisal process, many adjustments are often made, and any differences in the: (A) Subject property are averaged to a range of price; (B) Comparables are adjusted to a market norm; (C) Comparables are adjusted to the characteristics of the subject property; (D) Subject property are adjusted to the standards set by the comparables.

29. If a zoning law permits a use to be made of property that is restricted by construction and use limitations contained in a deed, which of the following will prevail: (A) Deed restrictions; (B) Master Zoning Law; (C) A variance permit; (D) The owner's planned use.

30. Deed restrictions are usually established by: (A) The planning commission; (B) Zoning laws; (C) The grantor in the deed; (D) The Department of Housing and Urban Development.

31. The primary justification for zoning ordinances is to: (A) Maintain physical conformity of buildings in a zoned area; (B) Prevent an oversupply of certain types of business enterprises within a zoned area; (C) Promote the public health, safety, morals, and general welfare; (D) Control the quality of building construction within a zoned area.

32. In the appraisal of residential property, the cost approach is most appropriate in the case of: (A) New property; (B) Middle-aged property; (C) Old property; (D) Multi-family property.

33. Usefulness of the cost approach would be limited when: (A) An appraiser is appraising a new structure appropriate to its site and use; (B) There exists an unusually inactive real estate market; (C) Appraising for proposed construction; (D) Appraising an old structure with many functional deficiencies.

34. Ryan Mills sold his home for \$21,500 and took back a \$15,000 note with interest at 10% per annum. The note was secured by a first mortgage. The home had a fair market value of \$20,000. Later, he decided to sell the mortgage and note and discounted the note to \$13,500. He sold them to Cindy Gomez. On the back of the note, he wrote, "I hereby assign the within note to Cindy Gomez without recourse." If the maker of the note defaults before any principal payments are made, Gomez's best legal remedy is to: (A) Foreclose to recover the \$13,500; (B) Recover from Mills based upon her \$13,500 note; (C) Sue her assignor based upon the endorsee's secondary liability; (D) Foreclose to enforce payment of the \$15,000.

35. Which of the following is not required for obtaining an easement by prescription: (A) A confrontation with the owner; (B) Open and notorious use which is continuous for five years; (C) Having some claim of right; (D) A hostile use which is adverse to the true owner.

36. According to subdivision laws which the Department of Real Estate enforces, all of the following could be defined as blanket encumbrances, except: (A) Mortgages; (B) Real property taxes; (C) Trust deeds; (D) Mechanic's liens.

37. If a seller wanted to relieve himself of the primary liability for payment of a trust deed and note, he must find a buyer who is willing to: (A) Assume the trust deed and note liability; (B) Sign a release agreement; (C) Take title subject to the trust deed and note; (D) Execute a subordination agreement.

38. Under the terms of the Real Estate Law, a real estate salesperson is considered to be: (A) A fiduciary; (B) An independent contractor; (C) An employee of the broker; (D) Self-employed.

39. When a new subdivision is sold to the public, the Commissioner's public report often requires that purchase monies be impounded, because the subdivision is subject to a blanket encumbrance which does not contain an unconditional release clause. The impounding provisions, under these circumstances, are primarily for the benefit of the: (A) Lender of a subordinated loan on the land; (B) Purchaser of a lot in the subdivision; (C) Subdivider; (D) Holder of the blanket encumbrance.

40. A trust deed can have a provision that allows future loans on the property to have priority. This would be called: (A) An assignment clause; (B) A release clause; (C) A subordination clause; (D) An acceleration clause.

41. A partial release clause is commonly used with which of the following: (A) A single lot encumbered by both first and second trust deed loans; (B) A conditional installment sales contract; (C) A blanket mortgage; (D) A construction loan which provides for obligatory advances.

42. Broker Newman sold a property owned by Robins to Buyer Nichols. Four months later, when the first rains of the season began, Buyer Nichols found that the roof leaked badly in many places. Thereupon, the buyer sued both the seller and the broker for the cost of the necessary repairs. In the same action, the seller sued Broker Newman, because Seller Robins had informed the broker, several times, that the building needed a new roof. Broker Newman's testimony in court revealed that the broker was aware of the leaky roof, but had not mentioned it to Buyer Nichols, because, "the subject never came up." Based on the foregoing information, the most likely result of the court action would be: (A) On the basis of the principle of *caveat emptor*, the buyer was not entitled to recover from the broker or the seller; (B) The buyer recovered from the broker, but the seller would not be considered liable; (C) The buyer recovered from the seller, but the broker would not be liable; (D) The buyer would be successful in the suit against both the seller and the broker; the seller being successful in the suit against the broker.

43. The difference between judgment liens and mechanic's liens is: (A) Mechanic's liens may take priority earlier than the date they are recorded; (B) Judgment liens are involuntary liens; (C) Judgment liens are not enforceable until recorded; (D) Mechanic's liens are created by statute.
44. Which of the following is not an encumbrance: (A) A lease; (B) An easement; (C) A homestead; (D) A lien.
45. In estimating the value of Rafael's single-family dwelling, Broker Jones, the appraiser, uses the same monthly gross rent multiplier that has been computed for comparable properties in the same neighborhood. The comparable properties each have a rent amount of \$300 monthly and recent selling prices of approximately \$45,000. The owner's property is currently renting for \$320 per month. The broker therefore would estimate the value of the property to be: (A) \$45,000; (B) \$48,000; (C) \$51,000; (D) \$54,000.
46. A description of property that reads "Commencing on the south side of 'O' Street, at a point 150 feet west of 'O' and 85th Street, running in a southwesterly direction..." would be an example of which of the following land description methods: (A) Recorded lot and block system; (B) U.S. Government Range and Township system; (C) Metes and bounds; (D) U.S. Coastal and Geodetic Survey.
47. Appraiser Irvine employed the land residual technique. The unknown factor and desired result would be: (A) Net income; (B) Building value; (C) Land value; (D) Capitalization rate.
48. In the absence of court approval, which of the following acts may legally be taken by a minor or incompetent person: (A) Acquire real property through gift or inheritance; (B) Give a valid power of attorney to encumber real property; (C) Sell the real property through a guardian; (D) All of the above.
49. According to the Law of Agency, an agent is generally held to have the imputed authority of his principal when dealing with third parties. That imputed authority: (A) Includes power of attorney; (B) Always binds the principal to terms negotiated on his behalf; (C) Usually binds the principal if within the scope of authority granted to the agent; (D) Implies a fiduciary obligations to third parties.
50. A broker would not be required to maintain trust records in which of the following transactions: (A) A check promptly delivered to escrow; (B) A check promptly delivered to seller; (C) A check promptly delivered to the seller that was given as the deposit in an offer to purchase containing a contingency clause; (D) None of the above.
51. All of the following may be added to the original cost basis of real property to arrive at an adjusted basis for federal income tax purposes, except: (A) Miscellaneous acquisition expenses; (B) Real estate brokerage commission; (C) Cost of improvements; (D) Mortgage payments.

52. According to the Law of Agency, agents have certain legal responsibilities with regard to their clients. All of the following would be required of an agent, except: (A) Ensure the recordation of a deed of trust, or deliver it to the beneficiary with a written recommendation to record unless otherwise directed; (B) Prepare a five-year income forecast for any income property; (C) Disclose all material facts about a listed property; (D) Treat all parties to a transaction fairly, even if it means that the seller makes less money.
53. In which of the following situations would an IRS Section 1031 exchange not be allowed: (A) The properties are not of a like kind; (B) The exchanged properties are both vacant land; (C) One of the properties is a leasehold over 30 years; (D) One property is in California and the other is in Arizona.
54. Concerning depreciation, which of the following statements is least correct: (A) Depreciation is a loss in value irrespective of cause; (B) The difference between the value of improvements and their cost of replacement as of the appraisal date is defined as depreciation; (C) Depreciation can be computed for the future or from the past; (D) Depreciation results from influences inherent within the property itself and cannot result from factors extraneous to the property.
55. A Chicano prospective purchaser asks to be shown homes but does not specify that he wants to see homes located in a neighborhood where there are no Chicanos. How should a licensee decide what properties to show him: (A) The licensee has no obligation to show homes in non-Chicano neighborhoods to the prospect; (B) The licensee could assume that the prospective buyer is not interested in such homes; (C) The licensee does not need to provide service for the prospect at all; (D) The licensee may select homes for showing as he would for any other prospect.
56. If an agent discloses to his principal the race, creed, or color of a prospective buyer or tenant, has he committed a discriminatory act: (A) No, because an agent is obligated to disclose to his principal all material facts that might influence the principal's decisions concerning any real estate transaction; (B) Yes; however, that disclosure violates only a state law; (C) No, because a fiduciary relationship exists between the agent and the principal and the agent must exercise good faith in working for the principal's best interest; (D) Yes. An opinion of the California Attorney General states that race, creed, or color is not a material fact and should not be disclosed even though the owner requests the information.
57. In a sale situation, which of the following properties would be exempt from the Discrimination in Housing part of the Health and Safety Code: (A) An unoccupied single-family dwelling financed through VA; (B) An owner-occupied four-plex with FHA financing; (C) A single-family unoccupied dwelling that is unencumbered; (D) A ten-unit apartment house financed with a conventional loan.

58. A real estate broker, acting as agent for a landlord, has the following instructions: Instruction I. Collect a larger deposit from single men than from single women or couples; Instruction II. Advertise only by encouraging existing tenants who are predominantly white to solicit prospective tenants from among their friends. Which of these instructions would be prohibited by the Federal Fair Housing Act: (A) I only; (B) II only; (C) Both; (D) Neither.
59. Of the following costs and fees involved in purchasing real property, which is considered a finance charge under the Federal Truth-in-Lending Law and must be included on the disclosure statement: (A) Document preparation fees; (B) Notary and appraisal fees; (C) Assumption fees; (D) Fees for title insurance.
60. Which of the following would most likely provide an investor with the best hedge against inflation: (A) United States government bonds; (B) A savings account at the bank; (C) Ownership of real property; (D) A note well secured by a first mortgage.
61. When title to real property is voluntarily transferred without receipt of monetary consideration, this is generally considered to be a(n): (A) Writ of Execution; (B) Gift; (C) Eminent domain; (D) Foreclosure.
62. Should a tight money policy be implemented by the Federal Reserve System (the Fed), the net effect would be the increasing of: (A) Volume of sales of single-family homes; (B) Use of second trust deed financing in real estate transactions; (C) Use of new first trust deed financing in real estate transactions; (D) Supply of lendable funds for housing construction.
63. The decline of mortgage interest rates would occur when: (A) Businesses expand; (B) The Federal Reserve System increases the member banks' reserve requirements; (C) Inflationary trends increase; (D) The mortgage money supply increases.
64. If the owner of a property thinks that his property has been over-assessed by the county assessor, he would contact the: (A) Department of Real Estate; (B) Board of Supervisors; (C) Assessment Appeals Board; (D) County tax collector.
65. Which of the following must be given by the seller of a condominium to the buyer: (A) The CC&R's; (B) The bylaws; (C) A copy of the most recent financial statement; (D) All of the above.
66. The type of depreciation that would be the most difficult to cure would be: (A) Physical deterioration; (B) Functional obsolescence; (C) Economic obsolescence; (D) Physical depreciation.

74. Which of the following would be most likely to pay a premium for mutual mortgage insurance: (A) The buyer with a Cal-Vet loan; (B) A homebuyer with a conventional loan from a life insurance company; (C) A homeowner who wishes to insure real and personal property; (D) A homeowner who assumed an FHA loan.
73. Is there anything wrong with using a street address (i.e., 123 Starling Way) in the legal documents pertaining to a real estate sale transaction: (A) A street address is not considered a legal description of the property; (B) It is acceptable, but it may make it difficult to get a loan on the property; (C) It is acceptable, but title insurers may choose not to insure the property; (D) For all intents and purposes, it is an adequate means of description.
72. Which of the following is not an example of governmental police power: (A) Quiet title suit invoking the doctrine of "highest and best use;" (B) Eminent domain; (C) Extraordinary police powers; (D) Action to Quiet Title.
71. When an escrow is closed on the purchase of a home, the closing statements usually reveal that the seller has paid certain items in arrears or in advance as they relate to ownership of that home. These items are usually prorated or adjusted. All of the following would be included in these prorated items except: (A) Interest and fire insurance premiums; (B) Property taxes and assessments; (C) Interest and impounds; (D) Delinquent interest and principal applying to an unsecured home improvement loan.
70. On August 1, 1991, Wilson agreed to purchase Hansen's home. Both parties agreed that possession would be transferred on September 30, 1992, and that the property taxes on the property would be prorated as of the date of possession. On November 1, 1991, Hansen paid the property taxes for the tax year 1991-1992. According to the closing escrow statement, which of the following would be true: (A) Wilson paid Hansen for nine months taxes; (B) Wilson paid Hansen for three months taxes; (C) Hansen paid Wilson for nine months taxes; (D) Hansen paid Wilson for three months taxes.
69. In the closing statements prepared by the escrow agent, the total of the debit and credit columns on the seller's closing statement, in comparison to the balances on the buyer's closing statement: (A) Can be different; (B) Must be the same; (C) Must be different; (D) Any of the above.
68. The factor which usually has the greatest influence on mortgage interest rates is the: (A) Condition of the money market; (B) Value of the property; (C) Term of the loan; (D) Stabilizing effect of combining ultraconservative and over-optimistic practices of mortgage lenders.
67. When a lender "calls" a loan, he: (A) Accelerates all sums owing; (B) Liquidates the obligation by amortization; (C) Seizes the property securing the loan by court action; (D) Calls upon the maker to pay delinquent installments.

75. A neighborhood apartment house would suffer economic obsolescence from each of the following, except: (A) Heating and cooling system is wearing out; (B) Major retail stores which serve the neighborhood have moved to outlying shopping centers; (C) Jet airplanes taking off over the property from a nearby international airport; (D) Most tenants in the neighborhood receiving relatively low fixed incomes.
76. The Irwins made an offer to purchase the Greys' property. As part of the offer, the Irwins agreed to take title "subject to" an existing VA loan which the Greys obtained when they purchased the property in the approximate amount of \$39,000. If the Greys sell to the Irwins under these conditions, which of the following is true concerning liability for a loss suffered by the government after a foreclosure on the VA loan: (A) The Irwins will be primarily liable; (B) The Greys and the Irwins will be equally liable; (C) The Greys will be primarily liable; (D) Neither couple is liable because the Irwins took title "subject to" the existing loan.
77. A veteran purchased a home and financed it with the aid of a Cal-Vet loan. Twenty years later, he made the final payment on the loan. Which of the documents listed below was least likely used in such a transaction: (A) Trust deed; (B) Policy of title insurance; (C) A fire insurance policy; (D) A grant deed.
78. In appraising real property, a separate valuation for the site is considered least important: (A) In applying gross rent multipliers; (B) In applying the cost approach; (C) For depreciation purposes; (D) In applying the income approach.
79. A broker used the following clause in his exclusive listing contract, "In consideration of the execution of the foregoing, the undersigned broker agrees to use diligence in procuring a purchaser." This clause: (A) Is superfluous and unnecessary in current contracts; (B) Is necessary for the creation of a unilateral contract; (C) Is important to the creation of a bilateral contract; (D) Requires that the broker advertise the property.
80. Which of the following would be least likely to appear as a debit on a buyer's closing statement: (A) Proration of taxes; (B) Interest on an assumed loan; (C) Discount points for a new FHA loan; (D) Prorations of insurance premiums.
81. The consideration that is required for a valid contract could be: (A) A promise; (B) A promise without interest; (C) A promise made in consideration of marriage; (D) All of the above.
82. In practice, the services of a broker on behalf of her principal are defined as all of the following, except: (A) An agency relationship; (B) A fiduciary relationship; (C) An attorney in fact relationship; (D) A broker/client relationship.

83. An appraiser would most likely use a "depth table" when confronted with a valuation problem involving: (A) A capitalization rate; (B) A sinking fund; (C) A residential property; (D) A commercial property.

84. When a lender makes a loan regulated by the Real Estate Settlement Procedures Act, the loan applicant must be provided with which of the following: (A) A bill of sale; (B) A good faith estimate; (C) Forms for applying for the homeowner's exemption; (D) An application for private mortgage insurance.

85. According to the Real Estate Settlement Procedures Act, there are certain services which may be charged for, since they are settlement connected costs. The buyer or seller can be charged for all of the following except: (A) Appraisals; (B) Loan documents; (C) Credit reports; (D) Uniform Disclosure/Settlement Statements.

86. In a condominium complex a sidewalk would be: (A) Part of the common area; (B) At least 4 feet wide; (C) Made of asphalt; (D) Owned as a fee simple estate.

87. In the parts of California where wood-destroying pests are found, a structural pest control report is required: (A) When buying residences financed by FHA or VA loans; (B) When requested by the buyer, whether or not the seller agreed to do so in the contract; (C) In every sale involving a wood-frame residence; (D) All of the above.

88. The total positive balances due to all beneficiaries of a broker's trust fund account must at all times equal the accounts: (A) Shortage; (B) Balance; (C) Overage; (D) Fidelity bond coverage.

89. Broker Stein entered into an oral listing agreement with the seller of real property, without a subsequent written verification. The payment of a commission to Broker Stein under these circumstances would be: (A) Permissible if the seller elects to do so; (B) A violation of the regulations of the Real Estate Commission; (C) Regarded as contrary to public policy; (D) A criminal violation of the law.

90. Jones listed his home with ABC Realty for \$30,000. He agreed to carry a note secured by a trust deed for \$30,000 with 9% interest. The note was to be payable over a 20-year period. Alex, a salesman with ABC Realty, received an offer on these exact terms. However, before the offer was submitted to the seller, Clair, another salesperson in the office, brought in an offer for \$28,000 cash. Which of the following is true: (A) Only the offer received by Alex must be presented since it meets the terms of the listing; (B) The offer received by Alex must be submitted first. After the seller has considered it and declined it, the seller should be told about the offer received by Clair; (C) Both offers must be submitted to the seller; (D) The offer received by Alex must be presented first because the offer was written before the offer by Clair was written.

91. Leland purchased and took title to a residential property on 10th Street in Modesto. One week later, he employed Broker Wilder to sell the property. The listing was completed and signed. Being uncertain as to the correct address of the property, it was described in the listing as "James R. Leland's residential property on 10th Street in Modesto, California." Regarding the effect of this description on the listing, which of the following is true: (A) The description is not sufficient to properly describe the property and the listing is unenforceable; (B) Leland's signature on the listing gives only a tentative listing right to Wilder until the legal description is completed correctly; (C) The description is adequate if Leland owns no other property on 10th Street in Modesto, California; (D) The description is adequate and the listing contract enforceable regardless of the location of any property owned by Leland.
92. Under current federal income tax laws, which of the following are tax-deductible items for an owner-occupied single-family dwelling: (A) Mortgage interest payments, property taxes, and mortgage prepayment penalty; (B) Mortgage interest payments, capital repairs, and real property taxes; (C) Late charges, mortgage interest payments, and broker's commissions; (D) Mortgage payments, property taxes, and fire insurance premiums.
93. All of the following statements regarding options are true, except: (A) Some consideration must pass from optionee to optionor; (B) In a lease/option, provisions of the lease are, themselves, sufficient consideration to support the option; (C) The option binds the optionee to performance; (D) Option rights do not give the optionee any "rights in the land."
94. When the circumstances are such that an award of money damages would not provide an adequate remedy for default in a contract, a suit for specific performance could be successfully brought by all of the following except: (A) One who is purchasing a single-family residence; (B) An attorney-in-fact for a principal who resides in another state; (C) A licensed real estate broker acting as agent for the principals; (D) The seller of vacant agricultural land.
95. Ms. Wilson made an offer to purchase real property. However, she died of a heart attack before the listing broker could notify her of an unqualified, signed acceptance by the seller. Based on these facts, which of the following is true: (A) Notification to the administrator or executor would bind the Wilson estate; (B) The death of Wilson constituted a revocation of the offer; (C) The offer and acceptance constitute an enforceable contract; (D) The sale would not be binding because the deed was not delivered before Wilson's death.
96. Morgan wanted to obtain a 60-day option so that he could purchase a parcel of real property for \$18,000. However, he wanted to pay only \$1 for it. If this option were drawn and duly signed by the parties, it would be: (A) Invalid because of the 60-day length of time; (B) Invalid because \$1 is not adequate consideration; (C) Valid if the \$1 was actually delivered; (D) Valid even if the \$1 that was referred to was not actually received by the owner.

97. Each of the following terms refers to types of soil conditions except: (A) Alkaline; (B) Deciduous; (C) Adobe; (D) Expansive.

98. A real estate broker sent all of his title business to Wonderful Title Co. In appreciation of the business, the title company paid the broker \$10 for each transaction. According to the Real Estate Settlement Procedures Act, "RESPA," this practice is: (A) Acceptable if both buyer and seller are told about it and approve; (B) Permissible if the seller is going to pay for the title services and is told about it and approves; (C) Permissible; (D) Forbidden.

99. The purchaser of a sale-leaseback transaction would be least concerned with: (A) Location of the property; (B) Depreciated book value of the building; (C) Condition of the improvements; (D) General credit of the lessee.

100. A lessee renting a business office often attaches certain items to the real property. These items may, prior to the expiration of the lease, be removed provided no substantial damage to the property results. Of the following, which best exemplifies such items: (A) Trade fixtures; (B) Fixtures for manufacturing purposes; (C) Articles affixed for domestic use; (D) Any of the above.

101. Daniel has purchased an 18-unit apartment building. If he reports his income on a cash basis, he can deduct all of the following on his next income tax return, except: (A) Loss of rental because of vacancies suffered by two units; (B) The cost of redecorating two vacant units; (C) Interest payments on the second trust deed; (D) Depreciation when the value of the property has increased.

102. California's disclosure requirements for energy conservation include a provision that buyers of newly-built homes must receive a disclosure concerning: (A) Type of windows installed; (B) Thickness of walls; (C) R-value of insulation; (D) Asphalt roof shingles.

103. A seller under a real estate purchase agreement agrees to pay in full a street bond affecting the property. The original amount of the lien was \$1,800 payable in 10 equal payments plus interest of 6% per annum. January 1 is the due date of each bond payment. Two payments have been made and payments are current. If the transaction closes on April 1, what will be the approximate amount charged to the seller's account to pay the bond balance in full: (A) \$1,526; (B) \$1,483; (C) \$1,462; (D) \$1,429.

104. A city's master plan would include: (A) Access to water, drainage and sewage; (B) Recreational and commercial areas, as well as subdivision design; (C) Flow of intercity traffic on freeways; (D) All of the above.

105. Which of the following is not an example of police power: (A) Building codes; (B) Zoning ordinances; (C) Declaration of Restrictions; (D) Controls on land development.

106. Who is usually responsible for assuring the availability of paved streets, utilities, curbs, and gutters in new subdivisions: (A) The developer; (B) The city or county planning office; (C) Bonding companies serving the developer; (D) Improvement districts formed by the lot purchasers.
107. What would be the value of a four-plex rental property if each unit rented for \$206.25 per month; vacancies were 5% of gross rents; operating expenses were \$4,140 per year, and the net earnings represented an 8% return on the investment: (A) \$65,812.50; (B) \$68,400; (C) \$71,484; (D) \$72,000.
108. The term that describes the action by which a local building authority permits an inconsistency to the construction, systems or standards within applicable building codes is best known as: (A) An infraction; (B) An exemption; (C) A permit; (D) A variance.
109. The instrument used to transfer title to personal property is the: (A) Chattel mortgage; (B) Bill of sale; (C) Security agreement; (D) Notice of bulk transfer.
110. A person who owns an undivided interest, in common, in a parcel of real property, together with a separate interest, in space, in a residential, industrial, or commercial building on such real property, is said to have an interest in a: (A) Community apartment project; (B) Planned development project; (C) Condominium project; (D) Stock cooperative project.
111. The general purpose of local building codes is to accomplish which of the following: (A) To assure the utilization of skilled labor in the construction and renovation of residential and commercial properties; (B) To assure compliance with uniform standards of design, development and construction throughout the state of California; (C) To provide minimum requirements and standards for the protection of the public safety, health, welfare and general well-being; (D) To guarantee cost effectiveness in building through uniformity of building standards.
112. Jones bought a house for \$125,000. He obtained a loan for 88% of the purchase price payable \$1,549 per month at 12% interest. Before he made his first payment he sold the house for \$139,750. His equity at the time of the sale was: (A) \$15,000; (B) \$29,750; (C) \$139,750; (D) None of the above.
113. In reference to the listing agreement, the "hold harmless" clause protects the agent from liability for: (A) Any type of lawsuit; (B) Misrepresentations by the agent to third parties; (C) Misinformation given by the seller concerning the property; (D) Misinformation from the buyer concerning his finances.
114. All of the following are common ways of measuring land, except: (A) Front feet; (B) Acre; (C) Square feet; (D) Metes and bounds.

115. Mr. Smith bought a property for \$72,000 with a \$20,000 cash down payment and a \$52,000 loan. The loan did not require interest and did not require any payments for one year. One year later, he sold the property for double its purchase price. Each dollar of his original cash investment is now equal to: (A) \$2.00; (B) \$4.60; (C) \$7.30; (D) \$9.20.

116. A man bought the contents of a store for \$9,300. He sold the goods for 1/3 more than they cost him. He lost 15% of the selling price in bad debts. His entire profit on this investment was: (A) 18-1/3%; (B) \$1,240; (C) \$1,860; (D) \$3,100.

117. Federal income tax rates on ordinary taxable income are: (A) Proportional; (B) Progressive; (C) Regressive; (D) Uniform.

118. When you, as agent, are certain that the seller will not accept a specific offer from the buyer, you should never: (A) Present the offer to the seller anyway; (B) Upon rejection of the offer by the seller, induce the seller to make a counter-offer; (C) Write new terms on the back of the offer and present them to the buyer for approval; (D) Change the buyer's offer to what you believe the seller will accept, initial the changes, and then present the offer to the seller.

119. In order to be enforceable, a contract for the sale of real estate must: (A) Be in writing; (B) Include an arbitration clause; (C) State how the buyers are to take title; (D) All of the above.

120. Which of the following would be an example of "boot," for income tax purposes: (A) A decrease in basis; (B) Debt relief from a mortgage in the exchange; (C) A decrease in real estate property taxes; (D) An increase in deductible depreciation.

121. A high rise office building has a quarterly income of \$265,000. The expenses amount to 32% of the income. What is the annual net income: (A) \$180,200; (B) \$720,800; (C) \$106,000; (D) \$349,800.

122. A portion of land described as the S 1/2 of the NE 1/4 of the NW 1/4 of the SE 1/4 of section 3, township 5N, Range 3E, SBRM, contains how many acres: (A) 5; (B) 100; (C) 250; (D) 80.

123. When showing a listed property to third persons, what is the listing broker required to disclose: (A) All known material facts about the property; (B) All facts about the property that he is directed by the seller to disclose; (C) All facts about the property, including the seller's financial condition and reasons for selling; (D) Any facts that come to his attention.

124. A rectangular lot contains 540 square yards. It has a 45-foot frontage. The depth of the lot would be: (A) 72 feet; (B) 108 feet; (C) 216 feet; (D) None of the above.

125. Real property is "sold to the state by operation of law" immediately after real property taxes become delinquent. The owner-occupant: (A) Must vacate the property; (B) Remains in undisturbed possession; (C) Is free of liability for taxes levied during this period; (D) Must pay an equitable amount of rent to the state.
126. If a 32-unit apartment building shows an annual net income of \$117,800, and the appropriate capitalization rate is 8%, what is the approximate value of the property: (A) \$867,008; (B) \$942,400; (C) \$1,017,792; (D) \$1,472,500.
127. To an appraiser, a definition of value is: (A) A relationship between desirous persons and things desired; (B) The ability of one commodity to command other commodities in exchange; (C) The present worth of future benefits arising out of ownership of a property; (D) Any of the above.
128. An agent supplies the following information concerning an apartment building: Gross income - \$80,000; Operating expenses - \$25,000; Depreciation - \$10,000; Vacancies - 10%; Value - \$450,000. What would be the capitalization rate: (A) 8.2%; (B) 9.3%; (C) 10.4%; (D) 11.5%.
129. An appraiser usually uses which of the following approaches in estimating the value of unimproved property: (A) Cost; (B) Income; (C) Gross rent multiplier; (D) Comparison.
130. Local government has, under law, the right to regulate and control land use. This right may include: (A) Regulations relating to repair; (B) Provisions for building removal; (C) Zoning ordinances; (D) All of the above.
131. In the appraising process, the term "highest and best use" often comes into play. This can best be defined as: (A) Developing a lot so as to contribute to the best interest of the community; (B) Producing the greatest net return on the investment over a period of time; (C) Developing a lot so as to produce the highest gross income; (D) All of the above.
132. An income property rents for \$1,000 a month. The operating expenses are \$3,000 a year. During the past 5 years it has been vacant for 3 months. If an appraiser used a 10% capitalization rate the value of the property would be: (A) \$74,951; (B) \$79,000; (C) \$84,000; (D) \$91,000.
133. Why is the replacement cost approach easier to apply to a new building than an old building: (A) Because of depreciation estimates; (B) Because historic costs are hard to obtain; (C) Because of land valuation problems; (D) Because of building code changes.
134. The vacancy rate of an apartment building under normal competitive conditions is basically the result of: (A) Employment fluctuations; (B) The schedule of rents and the number of units in the apartment building; (C) Cost of construction and the cost of money; (D) Housing supply and demand in the area.

135. When appraising property using the capitalization approach, as you determine the net income, which of the following would you use: (A) Payments on mortgage loan; (B) Vacancy allowance; (C) Income tax paid; (D) Reserves for depreciation.

136. The value of an apartment building is being determined by the income approach. Under which of the following circumstances would the appraiser make a deduction from effective gross income for the cost of management: (A) The owner manages the property; (B) One of the tenants manages the property and is excused from making rent payments for his unit; (C) One of the tenants who lives in a nearby building owned by the owner manages both properties, free of cost to the owner; (D) All of the above.

137. A man borrowed 80% of the value of his home. The loan had a 9% interest rate. The first year's interest on the loan was \$4,050. What was the value of the property: (A) \$36,000; (B) \$45,000; (C) \$48,000; (D) \$56,250.

138. A licensed real estate broker, representing his client to third persons in the sale, lease or exchange of real estate, is said to be operating under the law of: (A) Limitation; (B) Trusteeship; (C) Agency; (D) Power of attorney.

139. An example of functional obsolescence could be: (A) New zoning laws; (B) The encroachment of inharmonious land uses; (C) A deteriorated driveway; (D) A one-car garage.

140. Some cities encourage "infill" development. By doing so, they want developers to: (A) Target suburban fringe property for small commercial development; (B) Clean up land classified as a toxic waste site for recreational use; (C) Replace older, low-density housing with new high-density housing; (D) Build new affordable housing on vacant lots in an urban area.

141. The impairment of desirability and usefulness in real property brought about by economic changes is known as: (A) Obsolescence; (B) Over-improvement; (C) Economic life; (D) Restrictions.

142. A "footing" is which of the following: (A) A masonry course upon which the mudsill is fastened; (B) Square blocks of concrete placed under floor joists; (C) A slab of concrete in the rear yard area used for recreational purposes; (D) A heavy concrete course placed in the ground upon which the concrete foundation is set.

143. Carlyle's residence was purchased by Nicholson through Broker Azusa. As a condition of sale, Nicholson required a structural pest control report. Carlyle employed XYZ Pest Control Company to inspect the premises and to do all necessary corrective work. Carlyle paid for the completed job based on the appraised value of the property. Concerning the foregoing, which of the following is most correct: (A) The seller need not deliver a copy of the structural pest control report to the buyer because the wood-destroying pest problem has been resolved; (B) Neither the seller nor the broker need deliver a structural pest control report to the buyer because the buyer may obtain a copy upon payment of an appropriate fee to the State Board of Structural Pest Control; (C) The seller or broker must deliver a copy of the structural pest control report to the buyer as soon as practical; (D) The broker must notify the buyer of the name of the termite company prior to the close of escrow.
144. Certified copies of inspection reports filed by structural pest control operators with the Structural Pest Control Board within the preceding two years can be obtained upon request and the payment of a fee by: (A) The seller involved in the transaction; (B) The buyer involved in the transaction; (C) The seller, buyer, and any licensee involved in the transaction; (D) Any person.
145. During a sales escrow, the escrow officer receives two structural pest control reports. The escrow officer should: (A) Contact the inspection companies to determine which one is most recent and use that one; (B) Send the report that requires the most work to the buyer and obtain his approval; (C) Notify the broker and obtain written instructions from buyer and seller concerning the reports; (D) Request the broker to find out from the seller which report to use.
146. Concerning tax liens on real property in California, which of the following statements is most incorrect: (A) A lien for real property taxes has priority over liens for assessments undertaken for public purposes regardless of time of the creation of the respective lien; (B) The beneficiary under a standard trust deed is usually given explicit power to foreclose the lien if the trustor fails to pay property taxes when they become a lien against the property; (C) Liens against the property arising out of contractual arrangements are inferior to real property tax liens; (D) Any property sold by the state at public auction to collect delinquent property taxes has the effect of transferring to the new purchaser the title free and clear of any trust deed lien.
147. The assessment roll for real property taxes is the listing of all taxable properties in the assessor's jurisdiction with the assigned assessed value for the properties. The purpose of the assessment roll is for: (A) Establishment of the tax base; (B) Equalization of assessments; (C) Establishment of the actual tax amount; (D) Setting the tax rates.
148. The county tax rate is set annually by the: (A) State Board of Equalization; (B) Board of supervisors; (C) County assessor; (D) County treasurer.

- 149. Concerning the second installment of real property taxes in California, the due date and delinquent date are respectively: (A) November 1 and December 10; (B) July 1 and November 1; (C) February 1 and April 10; (D) January 1 and March 10.
- 150. Which of the following would create a dual agency situation: (A) Broker has two simultaneous escrows on the same property; (B) Listing broker is cooperating with a selling broker; (C) Two brokers have listings on the same property; (D) A broker representing both buyer and seller in the same transaction.

1. (C) A joint tenant cannot will his interest in the property, because when creating joint tenancy, joint tenants agree that upon the death of a joint tenant, that interest will terminate, and hence there is no interest to be willed to another upon the death of a joint tenant.

2. (C) An estate of inheritance is a fee simple estate. In order to be a fee simple estate, it must be indefinite in duration, capable of being conveyed during life, or upon death.

3. (D) The mortgage relief is considered part of the down payment and tax must be paid on it. For instance, the sales price is \$9,000. The buyer is to pay \$3,000 over the next 3 years and assume a \$6,000 loan. The seller's basis is \$5,000. The seller has a gain of \$4,000. \$1,000 is mortgage relief and recognized in the year of sale.

4. (D)
- (1) $\$12,750 \times 12 = \$153,000$
 - (2) $\$153,000 - \$10,500 = \$142,500$
 - (3) $\$142,500 \times .025 = \$3,562.50$
 - (4) $\$3,562.50 \div 12 = \296.88
 - (5) $\$296.88 + 205 = \501.88

5. (B)

- (1) $\$90,750$ selling price - $\$30,000$ existing lien (old money) = $\$60,750$ new money (subject to tax)
- (2) $\$60,750$ new money \div $\$500$ (tax base) = 121.5 tax units
- (3) **NOTE:** For documentary transfer tax, always round up to the next whole unit; therefore, 121.5 becomes 122 tax units
- (4) 122 tax units \times $\$0.55$ tax rate = $\$67.10$

Therefore $\$67$ is the most correct answer.

6. (B) The real property was converted into money, and in the situation described, the event was involuntary (not at the initiative of the owner).

7. (C) When owners hold title to property as joint tenants, the death of one joint tenant terminates that interest in the property. Title is now held by the survivor (or survivors) without liability for the claims of creditors who hold unrecorded liens.

8. (B) Trade fixtures are considered personal property. All the other choices are real property and benefit the land.

9. (B) Tenants in common hold an undivided interest in real or personal property; hence, tenants in common own no specific part of the property.

10. (D) Tenants in common may transfer their interest to any person at any time. This may be by a conveyance such as a deed or by will or intestate succession.

11. (A) In a tenancy in common, each tenant has the right to possess all of the property because each holds an undivided interest in the total property.
 12. (C) Eminent domain is the right of the government to take private property for necessary public use.
 13. (B) Escheat refers to property reverting to the state when a person dies and leaves no will and no heirs.

14. (D) Avulsion is the sudden violent tearing away of land by water. Accretion is the process of gradual additions to land bordering a river or stream. Alluvion is the dirt that is added by accretion, and reversion refers to the rights of someone to property at a later time.

15. (C) The optionee (potential buyer) has the right, but not the obligation, to purchase the property; he is not bound to perform.
 16. (C) Eminent domain is the right of the government to take property for public use. Compensation must be paid.

17. (D) (1) $\$37,000 \text{ net to seller} + \$600 \text{ closing costs} = \$37,600 \text{ pre-commission price}$
 (2) $100\% \text{ selling price} - .04 (4\%) \text{ broker's commission} = .96 \text{ selling net}$
 (3) $\$37,600 \div .96 = \$39,166.66$. Therefore the most correct answer is \$39,167

18. (C) In an exchange, the lesser of the gain or the boot is taxable (recognized) in the year of the exchange. Since Sampson receives \$5,000 in cash boot, he will have a recognized gain.

19. (B) Recording gives constructive notice to everyone.
 20. (C) A balloon payment is a large lump-sum payment that is required to pay off the loan in full. It is normally the balance of the principal amount left after the installment payments have been made, plus any accumulated interest.

21. (B) The grantee receives from the grantor the implied warranty that the estate is free from undisclosed encumbrances. The standard policy of title insurance protects against matters of record. Extended coverage would have to be obtained to protect against matters not of record.

22. (C) It would be sufficient to list the advertiser as "Bro." (broker) or "Agt." (agent) so that the advertisement would not be considered a "blind ad."

23. (C) A judgment lien is a general lien; the others are all specific, in that they are a claim for money against a specific or particular asset.
24. (B) The person described in the question must have a real estate license.
25. (B) A lien is a claim for money; an attachment (court order seizing and holding any assets for a possible future judgment) is considered a lien, the others are not.
26. (B) The dominant tenement does not have to adjoin the servient tenement in order to have an easement appurtenant.
27. (D) A mortgage is a lien. An estate in reversion and an estate in remainder are freehold estates. An easement is the right of use as a non-possessory interest in the land of another.
28. (C) In the market data approach, in making adjustments for differences in properties, the comparables are adjusted to the characteristics of the subject property because the comparables are given and the subject property value is unknown.
29. (A) Deed restrictions are usually stricter than zoning laws. The stricter regulation will prevail. A variance permit applies to zoning regulations and not deed restrictions.
30. (C) Deed restrictions, which are found in the deed given by the grantor to the grantee, are usually established by the grantor.
31. (C) Under police power, governmental agencies may regulate the use of real property in order to provide protection to the community in the areas stated in choice "C."
32. (A) In the appraisal of residential property, the cost approach is most appropriate in the case of new property, because the depreciation is easy to determine.
33. (D) The cost approach usefulness becomes limited with increasing age of a structure due to the fact that the allowance for depreciation becomes more complicated.
34. (D) Because the endorsement was without recourse, Cindy Lomez's only recourse is against the defaulting maker of the note and she could bring foreclosure action for the full face amount of \$15,000.
35. (A) In order to acquire an easement by prescription, the person acquiring the easement must fulfill certain requirements. These include a continuous use for five years which is hostile and adverse to the true owner with some claim of right.

36. (B) Real property tax is a specific lien (not a general lien) placed on one property, whereas a blanket encumbrance is a general lien on many properties. In a subdivision, the other choices could be placed on several parcels.
37. (A) Know the difference between assuming a loan and taking title subject to the loan.
38. (C) While the salesperson might be an independent contractor for income tax purposes, the Real Estate Law considers salespersons to be employees of their broker.
39. (B) The purchaser of the lot would benefit from the impounding of the money he pays for the purchase of the property until the blanket encumbrance is paid off. Otherwise, an unethical subdivider might spend that money without delivering clear title to the purchaser of the property.
40. (C) A subordination clause allows trust deeds or other liens which are placed on the property at a later date to take priority over the trust deed that has the subordination clause.
41. (C) A blanket mortgage is a loan secured by more than one parcel of real property. When part of the loan is paid off, it permits part of the property to be reconveyed or released.
42. (D) In the case given, the buyer is a customer/prospect. The broker does not have a fiduciary/agency relationship with the buyer, but the law requires that a customer/prospect must be treated fairly and honestly. It is the responsibility of an agent to divulge to a customer/prospect any information of a material nature that could affect the transaction. Due to the fact that the broker failed to do so, the broker would be liable, and in addition, because the broker was representing the principal, the principal, likewise, would have a course of legal action against the broker for misrepresentation.
43. (A) Mechanic's liens take priority from the date of the beginning of the scheme of improvements; judgment liens take priority from the date they are recorded. A mechanic's lien might not be recorded until after the work has been done and the workman unpaid; but in priority, it dates back to the beginning of the project.
44. (C) Each of the choices would be some form of burden on the property, and therefore an encumbrance, except the homestead. The homestead is used to protect a limited amount of equity from certain types of liens, specifically judgment liens.

45. (B) (1) \$45,000 comparable selling price ÷ \$300 monthly rent (comparable properties) = 150 gross rent multiplier
 (2) 150 gross rent multiplier x \$320 actual rent = \$48,000 approximate value
46. (C) The question gives an example of the metes and bounds system of legal description.
47. (C) In employing the land residual technique, the end result would be the land value.
48. (A) A minor may receive title to real property without court intervention; if a guardian or power of attorney is desired, a competent court must approve that designation.
49. (C) In this case, the agent's imputed authority is essentially his or her apparent authority. If the other party had a reasonable expectation that the agent was acting within his or her authority, then the principal would be bound by the agent's actions. The best description of this is choice "C."
50. (D) A broker is always required to maintain trust records. He is not required to maintain a trust fund account.
51. (D) In arriving at the adjusted cost basis for income tax purposes, mortgage payments may not be included in arriving at the adjusted cost basis; whereas, the brokerage commission, cost of improvements to the property, and miscellaneous acquisition expenses are all tax-approved adjustments.
52. (B) The exception is that there is no requirement to provide a five-year income forecast for income properties.
53. (A) IRS Section 1031 states that the properties must be of a like kind. That means that you cannot exchange personal property for real property and have it qualify for a 1031 exchange.
54. (D) One form of depreciation is known as social or economic obsolescence, which results from surrounding property such as having a junk yard located next to an extremely expensive home. The appraiser would consider the negative influence of such a situation.
55. (D) The Fair Housing Laws and the Commissioner's Regulations insist that real estate licensees treat all customers and clients in an equal manner.
56. (D) Yes. An opinion of the California Attorney General states that race, creed, or color is not a material fact and should not be disclosed, even though the owner requests the information.

57. (C) Under state law, discrimination is illegal in the sale of homes or apartment buildings of three units, or more, with governmental financing; apartment buildings of five or more units with conventional financing; and redevelopment projects.
58. (A) Under the Federal Fair Housing Act, an owner or agent cannot discriminate on the basis of marital status. Federal law also states that the contents of advertisements cannot discriminate, but it does not dictate the method of advertising. This question indicates that some tenants are not white and are encouraged to solicit prospects from among their friends. It also does not indicate the race of the friends.
59. (C) Of the items listed, only assumption fees are considered a part of the finance charge.
60. (C) Answers "A," "B," and "D" provide the investor with a return of a fixed dollar amount. However, when an investor places his money into real property, that real property will increase in value during an inflationary period, and he will receive more money if he sells it at a later date.
61. (B) The question describes a gift, which is the only one of the given choices which is a voluntary transfer without consideration.
62. (B) In the imposition of a tight money policy by the Federal Reserve System, a scarcity of money would develop. This scarcity would make funds available for home financing scarce, thereby necessitating a second trust deed to be carried back by the seller or by any other lender. Likewise, the tight money policy would inhibit the sale of single-family dwellings and reduce the supply of funds for construction purposes.
63. (D) Money is considered a commodity. The scarcity of a commodity (money) would cause a price increase. Should the supply of money increase, it would cause a decline of its cost which normally is identified as interest.
64. (C) If a homeowner feels that property has been assessed too high by the property tax assessor, the correct agency to appeal that to would be the Assessment Appeals Board.
65. (D) The seller of a condominium must give all of these to a buyer.
66. (C) Economic obsolescence, because it is resulting from negative factors outside the property boundaries, would be the most difficult to cure.
67. (A) The phrase "calling a loan," refers to accelerating the remaining payments of the loan and making them all due and payable at the present time.

68. (A) The availability of money for loan purposes resulting from supply and demand has the greatest influence on the cost of borrowing money.
69. (A) While the balance of debits and credits on a seller's statement could be the same as the balance of debits and credits on a buyer's statement, usually they are not, since each party pays for some costs which are not paid to the other party but are paid to a third party.
70. (D) The property tax year runs from July 1 to July 1. Since Hansen, the seller, has the use of the property between July 1, 1992 and September 30, 1992, he would owe Wilson for three months taxes.
71. (D) Any loan that is unsecured by the property would not apply to the property itself and thus would not appear on the closing statement. The loan would have to be paid entirely by the seller of the property unless the parties agreed to some other provision.
72. (B) Eminent domain is the right of government to take private property when necessary for public use. It is not part of the government's police power. It is a separate power of government.
73. (A) A street address is not considered a legal description of the property, and is therefore insufficient identification for legal documents.
74. (D) Mutual mortgage insurance is FHA's way of insuring the lender. A borrower using FHA financing, pays one-half percent per annum on the loan amount as premium for his insurance.
75. (A) The wearing out of heating and cooling systems would be physical deterioration, rather than economic obsolescence.
76. (C) When a buyer takes property "subject to" an existing loan, the seller remains primarily liable on the promissory note. It is the seller who signed the original note. The buyer has no personal liability on the note.
77. (A) A trust deed is not used in a Cal-Vet loan. The property is sold under a land contract. The policy of title insurance and the fire insurance policy would be required when the property was sold to the veteran and, also, when the veteran receives his deed. The deed that the veteran would receive when the loan was paid off would be a grant deed.
78. (A) The gross rent multiplier method is a variation of the income approach and does not involve separate valuation for the site.

79. (C) In a bilateral contract, both parties promise to perform. This statement obligates the broker.

80. (B) Interest on real estate loans is paid in arrears; any interest due on an assumed loan would normally be the responsibility of the seller, not the buyer. FHA discount points can now be paid by either the seller or the buyer but they are usually paid by the seller.

81. (D) A promise can be the consideration for a contract.

82. (C) A broker does not normally have a power-of-attorney.

83. (D) In using a "depth table," an appraiser assigns 40% of the value to the front 1/4 of the lot; 30% to the next 1/4 in depth, followed by 20% to the following 1/4; and the last 1/4 of the lot is assigned 10%. The rationale being applied is that the front portion of a lot is more valuable than the rear portion of a lot.

84. (B) A RESPA loan requires the lender to deliver to the loan applicant a good faith estimate of the closing costs within three days of receiving the loan application.

85. (D) A lender cannot charge for the preparation of Uniform Disclosure/Settlement Statements.

86. (A) In a condominium, a sidewalk would be part of the common area and could be used by all of the owners.

87. (A) When a buyer purchases a home financed by an FHA or VA loan in an area where wood-destroying pests such as termites, carpenter ants, etc. are found, there will be a required pest control report.

88. (B) The total positive balances due to all beneficiaries must equal the trust fund account balance.

89. (A) An oral listing to sell real property is not enforceable, but there is no prohibition against receiving a commission under such a listing if the seller chooses to pay one.

90. (C) All offers must be submitted immediately. The agent is the fiduciary of the principal and must inform the principal of all facts so that he can make an intelligent decision.

91. (C) If Leland owns no other property on 10th Street in Modesto, California, then this description in the listing unquestionably identifies the property.

92. (A) Under current federal income tax laws, the owner of an owner-occupied single-family dwelling may take deductions for mortgage interest payments, property taxes, and mortgage prepayment penalties.

93. (C) In the common use of options, the owner gives an option to a prospective buyer to buy the property. The prospective buyer would be the optionee, since he received the option. The prospective buyer does not have to perform and buy the property if he does not wish to. He will, of course, lose the consideration he gave if he does not purchase the property.
94. (C) In order to sue for specific performance, one must be a principal in the contract. In this case, the broker is not.
95. (B) An offer may be terminated by the offeror at anytime for any reason (and death is as good a reason as any) up until the offeree's acceptance has been communicated back to the offeror. Until this takes place, there is no contract because the "meeting of the minds" has not been confirmed to both parties.
96. (C) Any amount of consideration is adequate to make an option valid, but it must be delivered to the optionor.
97. (B) Deciduous refers to trees which shed their leaves during the winter.
98. (D) According to RESPA, kickbacks for referral of services are prohibited.
99. (B) The depreciated book value of the building refers to the adjusted cost basis of the seller of the building. Each new owner establishes his own book value and his own depreciation.
100. (A) These would be trade fixtures. You would not attach manufacturing equipment in a business office and items attached for domestic use would not be trade fixtures.
101. (A) Vacancies are not deducted from income; they are just not reported as income. The other expenses can be deducted from income.
102. (C) Buyers must be told the R-value of insulation used in construction of newly-built homes.
103. (C) (1) \$1,800 bond debt ÷ 10 annual payments = \$180 per annum
 (2) \$180 annual payment x 2 two payments = \$360
 (3) \$1,800 bond debt - \$360 two payments = \$1,440 balance
 (4) \$1,440 remaining debt x .06 (6%) interest rate = \$86.40 annual interest
 (5) \$86.40 annual interest ÷ 12 months = \$7.20 per month
 (6) \$7.20 monthly interest x 3 months (January, February, March) = \$21.60
 (7) \$21.60 three months' interest + \$1,440 remaining debt = \$1,461.60
 Therefore \$1,462 is the most correct answer.

104. (D) All of these items would appear on the city's master plan as drawn up by the Planning Commission.
105. (C) Declarations of Restrictions are private restrictions, not part of the government's police power.
106. (A) The developer usually is responsible for putting in the streets, utilities, curbs and gutters in new subdivisions.
107. (A) (1) $\$206.25 \times 4 \times 12 = \$9,900$ scheduled gross income
 (2) $\$9,900 \times 5\% = \495 vacancies
 (3) $\$9,900 - \$495 = \$9,405$ effective gross income
 (4) $\$9,405 - \$4,140 = \$5,265$ annual net income
 (5) $\$5,265$ divided by $8\% = \$65,812.50$ value
108. (D) A definition of a variance is action by a local building authority permitting an inconsistency to the existing codes.
109. (B) A bill of sale transfers title to personal property like a deed transfers title to real property.
110. (C) Any private ownership of air space, as well as a common ownership in the land, usually falls into the condominium classification. It can be residential, industrial, or commercial.
111. (C) The general purpose of local building codes is under the police powers to provide for the protection of the public health, safety, welfare and general well-being.
112. (B) (1) $\$125,000 \times 88\% = \$110,000$ Loan;
 (2) $\$139,750 - 110,000 = \$29,750$ Equity
113. (C) The "hold harmless" clause in a listing provides the agent with protection from liability for false information given by the seller.
114. (D) Metes and bounds is a method used to legally describe land, not measure it.
115. (B) (1) $\$72,000 \times 2 = \$144,000$
 (2) $\$144,000 - \$52,000 = \$92,000$
 (3) $\$92,000$ divided by $\$20,000 = \4.60

116. (B) (1) $1/3 \times \$9,300 = \$3,100$
 (2) $\$9,300 + \$3,100 = \$12,400$
 (3) $\$12,400 \times .15 = \$1,860$
 (4) $\$12,400 - \$1,860 = \$10,540$
 (5) $\$10,540 - \$9,300 = \$1,240$
117. (B) Income taxes are progressive. As a person earns more and more money, his tax rate increases.
118. (D) An agent is never authorized to change the terms of an offer without specific authority to do so from the offeror.
119. (A) While all of these might be good ideas, only the requirement that the real estate contract must be in writing is a legal requirement.
120. (B) Debt relief from a mortgage in an exchange of the property would be considered "boot," for federal income tax purposes.
121. (B) (1) $\$265,000$ quarterly income $\times 4 = \$1,060,000$ annual income
 (2) $\$1,060,000$ annual income $\times .32$ portion for expenses = $\$339,200$ expenses
 (3) $\$1,060,000$ annual income - $\$339,200$ expenses = $\$720,800$ annual net income
122. (A) (1) Section 3 = 640 acres
 (2) SE $1/4 = 160$ acres
 (3) NW $1/4 = 40$ acres
 (4) NE $1/4 = 10$ acres
 (5) S $1/2 = 5$ acres.
123. (A) The broker is required to disclose material (important) facts about the property, but not personal information about the seller and not only those the seller specifies to disclose.
124. (B) (1) $540 \times 9 = 4,860$ square feet; (There are 9 sq. ft. to a square yard)
 (2) $4,860 \div 45$ ft. frontage = 108 ft depth
125. (B) Real property "sold to the state by operation of law" immediately after real property taxes become delinquent has the effect that the owner-occupant remains in undisturbed possession of the property for five years.
126. (D) $\$117,800$ divided by 8% = $\$1,472,500$.

127. (D) Value for the appraiser can mean several things. The answers suggested here express some of them. "A" suggests what might be called value in use or inherent value. "B" suggests what is called value in exchange. "C" suggests value as an interpretation of future income in terms of present dollars. Hence, any of the choices is correct.

128. (C)
- (1) $\$80,000 \times 10\% = \$8,000$ vacancy
 - (2) $\$80,000 - \$8,000 = \$72,000$ effective gross income
 - (3) $\$72,000 - \$25,000$ expenses = $\$47,000$ net income
 - (4) $\$47,000$ divided by $\$450,000$ value = 10.4444%

129. (D) In appraising the value of unimproved property, an appraiser generally will use the sales comparison method.

130. (D) Police powers do include the local government's right, under law, to regulate repairs, building removal and zoning ordinances.

131. (B) This is an excellent definition of "highest and best use," which is a basic principle of appraising.

132. (C)
- (1) $\$1,000 \times 12 = \$12,000 \times 5$ years = $\$60,000$
 - (2) $\$1,000 \times 3 = \$3,000$ vacancy
 - (3) $\$60,000 - \$3,000 = \$57,000$ divided by 5 years = $\$11,400$ annual gross income
 - (4) $\$11,400 - \$3,000$ expenses = $\$8,400$ net income
 - (5) $\$8,400$ divided by $10\% = \$84,000$

133. (A) In the replacement cost approach to appraisal, depreciation plays a very important part in the estimate of the value. The newer the building, the easier to determine the depreciation.

134. (D) In a given geographic area, there are a limited number of houses and rental units; therefore, the housing supply and demand in that area will have a direct effect on the vacancy rate of apartments.

135. (B) A vacancy allowance is the only choice offered that is used to arrive at a net income.

136. (D) The expense of management is the most often overlooked expense in appraising income property. It should always be included in the capitalization approach.

137. (D)

- (1) $\$4,050$ annual interest divided by $.09$ interest rate = $\$45,000$ loan amount
- (2) $\$45,000$ loan amount = 80% of value
- (3) $\$45,000$ loan value divided by $.80$ part of value = $\$56,250$ value

138. (C) The broker is representing someone else in a transaction and is therefore under the law of agency.
139. (D) A one-car garage would be a faulty architectural design and, therefore, could be functional obsolescence. A deteriorated driveway would be physical deterioration. New zoning laws and inharmonious land use would be examples of economic obsolescence.
140. (D) Infill development would be building on vacant lots in an urban area.
141. (A) This would be known as economic obsolescence.
142. (D) The footing is the wider part of the base of the foundation. It spreads the weight of the whole building.
143. (C) The deposit receipt, i.e., sales contract, between buyer and seller would determine at which time the pest control report is to be delivered. If it is not stated in the contract, it is to be delivered as soon as practical, usually prior to closing.
144. (D) The Structural Pest Control Board maintains files for two years on properties that have been inspected. The files are available to anyone and a copy may be obtained by paying a nominal fee.
145. (C) The escrow agent is the agent of both the buyer and the seller. Therefore, he should receive instructions from both for everything that he does.
146. (A) Assessment liens and property tax liens have equal priority.
147. (A) The purpose of the assessment roll in real property taxes is to establish the tax base.
148. (B) The county tax rate is set annually by the county board of supervisors.
149. (C) The due date for the second installment of real property taxes is February 1 and the delinquent date is April 10.
150. (D) A dual agency occurs if the broker represents both parties (buyer and seller) in the same transaction.