

## Real Estate Economics: Realty Almanac 2017

### Quiz 1A

This quiz covers material found in **Factors 1-4**

Instructions: Quizzes are open book. All answers are multiple choice.

Quizzes are **optional** and may be taken as many times as you like.

Answer key is located on page 488.

#### START QUIZ 1A

1. Of all the economic factors, \_\_\_\_\_ has the most impact on the vigor of the California real estate market.
  - a. weather
  - b. war
  - c. employment
2. The basis for an individual's \_\_\_\_\_ is a paycheck, self-employed earnings from a trade or business, or income from investments.
  - a. return on investment (ROI)
  - b. creditworthiness
  - c. real demand
3. The percentage of the California population who owned their homes peaked in 2006 around:
  - a. 50%.
  - b. 61%.
  - c. 85%.
4. The loss of jobs affects \_\_\_\_\_ real estate.
  - a. only single family residential (SFR)
  - b. only commercial
  - c. all types of
5. The two basic categories of interest rates are:
  - a. long-term and short-term.
  - b. state and federal.
  - c. high and low.
6. The U.S. economy functions on a \_\_\_\_\_ interest rates cycle.
  - a. 10-year
  - b. 15-year
  - c. 60-year
7. The yield spread is the difference between the 10-year Treasury note rate and the:
  - a. 6-month Treasury bill rate.
  - b. 3-month Treasury bill rate.
  - c. London Inter-Bank Offered Rate (LIBOR).

8. The desired fixed rate of return on the investment in excess of the future rate of inflation is known as the:
  - a. return of investment.
  - b. real rate of return.
  - c. yield spread premium.
9. The Buy Phase, the ideal moment for buying property, is characterized by cyclically low prices and:
  - a. low interest rates.
  - b. few willing buyers.
  - c. Both a. and b.
10. For those who have real estate they want to sell, late-2016 into early 2018 is classified as a:
  - a. buy phase.
  - b. sell phase.
  - c. hold phase.
11. Typically, lenders will allow no more than \_\_\_\_\_ of a homebuyer's monthly gross income to be used on a monthly mortgage payment.
  - a. 100%
  - b. 95%
  - c. 31%
12. \_\_\_\_\_ are overnight funds lent to banks with insufficient reserves by the Federal Reserve (the Fed) and banks with excess reserves.
  - a. Cost-of-Funds Index
  - b. Discount rates
  - c. Federal funds
13. The nominal interest rate, also known as the \_\_\_\_\_, is the mortgage rate at which a homebuyer agrees to repay the lender.
  - a. note rate
  - b. loan origination fee
  - c. risk premium rate
14. Two primary categories of real estate purchasers exist. Short-term speculators and:
  - a. end users of property, including buyer-occupants and long-term investors.
  - b. appraisers.
  - c. REO lenders.
15. A \_\_\_\_\_ arrangement requires the substitute buyer rise to the same standards of creditworthiness and care of property as the original buyer.
  - a. syndication
  - b. carryback financing
  - c. bona fide purchase
16. A speculator's delegation of a purchase agreement's obligations to a substitute buyer is known as a(n):
  - a. assumption.
  - b. right of rescission.
  - c. waste.

17. When purchasing a residential property from a seller-in-foreclosure, a speculator is subject to \_\_\_\_\_ laws, which protect vulnerable sellers.
- equity purchase (EP)
  - anti-flipping
  - lemon
18. Real estate is an example of a(n):
- appreciable asset which may increase in value with time.
  - liquid asset which can be immediately converted to funds.
  - fool-proof investment.
19. \_\_\_\_\_ is the lost interest which would have been earned by investing income instead of allocating it to building home equity.
- Opportunity cost
  - Net income multiplier (NIM)
  - Gross operating income
20. As of the second quarter of 2016, approximately \_\_\_\_\_ of California's homeowners were underwater on their homes.
- 31%
  - 15%
  - 5%
21. \_\_\_\_\_, primarily the children of Baby Boomers, will add to sales volume as first-time homebuyers at the end of this decade.
- Generation Jones
  - Generation Y
  - The Greatest Generation
22. \_\_\_\_\_ is the condition which occurs when the value of real estate is less than the mortgage which encumbers it.
- Free-and-clear ownership
  - Absorption
  - Negative equity
23. The \_\_\_\_\_ in all trust deeds requires the lender to purchase the home for the loan amount if the homeowner defaults.
- put option
  - moral obligation clause
  - buyer negligence clause
24. Under a(n) \_\_\_\_\_, the lender will temporarily reduce monthly mortgage payments for a homeowner at risk of default, without altering the original loan terms.
- forbearance agreement
  - mortgage cramdown
  - short sale agreement
25. A \_\_\_\_\_ is a worksheet used to list in dollar amounts all a homeowner's assets and liabilities.
- bankruptcy declaration
  - balance sheet
  - listing agreement

**END QUIZ 1A**

## Real Estate Economics: Realty Almanac 2017

### Quiz 1 B

This quiz covers material found in **Factors 5-9**

Instructions: Quizzes are open book. All answers are multiple choice.

Quizzes are **optional** and may be taken as many times as you like.

Answer key is located on page 488.

#### START QUIZ 1 B

- \_\_\_\_\_ is the dollar amount of the value an owner receives by occupying the space themselves, be it shelter as the owner's residence or to house their trade or business.
  - Implicit rent
  - Actual rent
  - The net income multiplier (NIM)
- Future vacancy rates will be influenced by current vacancy rates, residential construction numbers and:
  - regional foreclosures.
  - regional job performance.
  - Both a. and b.
- Today's rise in renters follows a spike in \_\_\_\_\_ during the Millennium Boom.
  - homeownership
  - renters
  - Neither a nor b.
- Agents in urban areas would be wise to consider adding \_\_\_\_\_ to their title, as demand for this skill will rise throughout this decade as rentals emerge as significant profit centers.
  - property manager
  - loan officer
  - escrow officer
- The gross revenue multiplier (GRM) is calculated by dividing the:
  - annual rent a comparable property commands by its operating expenses.
  - asking price of a residence by the annual rent it or a comparable property commands.
  - cost of the property amenities by the value of the raw land.
- A social amenity favorably associated with owning a home includes:
  - the appearance of family stability.
  - investment in property aesthetics.
  - Both a. and b.
- During the coming decade a buyer will generally need to stay in the property for a minimum of \_\_\_\_\_ years to break even.
  - one or two
  - four or five
  - six or seven

8. A real estate mortgage appears as a \_\_\_\_\_ on title to a property allowing the lender to enforce the mortgage by nonjudicial foreclosure.
  - a. temporary easement
  - b. trust deed lien
  - c. property tax assessment
9. The alternative to a real estate loan as a source of additional capital is:
  - a. speculator activity.
  - b. seller financing.
  - c. purchase-assist financing.
10. When homebuyers shift from fixed rate mortgages (FRMs) to adjustable rate mortgages (ARMs), this is a sign the market is:
  - a. behaving normally.
  - b. healthy.
  - c. destabilizing.
11. Upward adjustable rate mortgage (ARM) adjustments are brought about by the Federal Reserve (the Fed) to slow down an overheated U.S. economy by:
  - a. lowering short-term rates.
  - b. lowering long-term rates.
  - c. raising short-term rates.
12. A delayed change in downward property pricing is referred to as:
  - a. slippery pricing.
  - b. sticky pricing.
  - c. reactive pricing.
13. Pools of mortgage-backed bonds (MBBs) are sold to banking institutions and investors in a process called:
  - a. securitization.
  - b. assumption.
  - c. reverse amortization.
14. The temporary, low initial interest rate found in adjustable rate mortgages (ARMs) is called a:
  - a. short-term rate.
  - b. sticky rate.
  - c. teaser rate.
15. Deregulation in the lending industry between 1982 and 2007 permitted and encouraged:
  - a. reckless lending.
  - b. responsible lending.
  - c. less lending.
16. \_\_\_\_\_ is an increase in the general price level of all goods and services in the economy.
  - a. Consumer price inflation
  - b. Asset price inflation
  - c. Both a. and b.
17. The Federal Reserve (the Fed) controls inflation by controlling the amount of money:
  - a. in circulation.
  - b. held by bankers.
  - c. held in personal savings accounts.

18. An extreme imbalance in supply and demand is referred to as:
  - a. quantitative easing (QE).
  - b. disequilibrium.
  - c. asset price inflation.
19. Information on homebuyer confidence is predictive of future real estate sales volume since it tracks:
  - a. strategic default rates in California.
  - b. anticipated interest rate movement one year forward.
  - c. where we have been and where we are going economically.
20. Brokers working with potential buyers need to push these buyers to:
  - a. find suitable rental property.
  - b. default on their existing mortgage.
  - c. get pre-approved by two or three lenders.
21. Willingness to purchase \_\_\_\_\_ has historically been indicative of the population's likelihood of making other major purchases such as real estate.
  - a. a car
  - b. indoor plants
  - c. cleaning supplies
22. For most buyers, the decision of whether to make a major asset purchase, like a car or home, is a test of:
  - a. physical strength.
  - b. consumer confidence.
  - c. employment suitability.
23. "QRM" stands for:
  - a. qualified residential mortgage.
  - b. quantified reverse mortgage.
  - c. quick reciprocal monies.
24. When consumer confidence is running high, the rate of personal savings:
  - a. falls.
  - b. rises.
  - c. stays the same.
25. California's gross domestic product (GDP) is growing \_\_\_\_\_ than personal incomes.
  - a. at the same rate
  - b. slower
  - c. faster

**END QUIZ 1B**

## Real Estate Economics: Realty Almanac 2017

### Quiz 2A

This quiz covers material found in **Factors 10-16**

Instructions: Quizzes are open book. All answers are multiple choice. Quizzes are **optional** and may be taken as many times as you like. Answer key is located on page 488.

#### START QUIZ 2A

1. Construction will first begin to blossom in the communities of \_\_\_\_\_ where high-tech information and service jobs are increasingly centered.
  - a. central California
  - b. the Inland Empire
  - c. coastal California
2. Homeowner vacancies represent the number of:
  - a. occupied single family residences (SFRs).
  - b. unoccupied homeowner housing units.
  - c. unoccupied rental housing units.
3. When the Millennium Boom began in 2002, rental vacancies:
  - a. began to fall as more people began leasing rental properties.
  - b. began to rise as tenants jumped on the homebuying bandwagon.
  - c. were static and did not significantly vary from prior years.
4. In California, recording a \_\_\_\_\_ is the first step in the foreclosure process.
  - a. notice of delinquency
  - b. notice of nonresponsibility (NODq)
  - c. notice of default (NOD)
5. The most detailed way to understand home price changes is to view these changes through a:
  - a. tiered-home pricing lens.
  - b. median pricing lens.
  - c. average pricing lens.
6. The best way to initially evaluate a property and set its price is to study:
  - a. the median national property values.
  - b. comparable property values in the same demographic location.
  - c. comparable property values in a neighboring city.
7. \_\_\_\_\_ is the tendency of listed prices in owner-occupied real estate to resist change.
  - a. Comparable pricing
  - b. Median price
  - c. Price persistence

8. The excess mortgage debt on a negative equity property is referred to as:
  - a. loan-to-value (LTV) ratio.
  - b. replacement cost.
  - c. debt overhang.
9. The task of property evaluation to qualify a property as collateral for the repayment of a loan is completed by a(n):
  - a. broker.
  - b. agent.
  - c. appraiser.
10. Roughly \_\_\_\_\_ of a property's value comes from its improvements. The remaining \_\_\_\_\_ comes from the land it is situated on.
  - a. 75%; 25%
  - b. 25%; 75%
  - c. 50%; 50%
11. Home prices have historically trended with the rate of:
  - a. Treasury bills (T-bills).
  - b. consumer inflation.
  - c. adjustable rate mortgages (ARMs).
12. The \_\_\_\_\_ is a simple abstraction used to compare the price of a stock with the earnings of the company.
  - a. price-to-earnings (P/E) ratio
  - b. gross income multiplier (GIM)
  - c. momentum market multiplier (MMM)
13. Stock market investors look to \_\_\_\_\_ when they want to invest in income-property ownership without the liabilities of ownership or property management.
  - a. real estate investment trusts (REITs)
  - b. passive rental income
  - c. price-to-earnings (P/E) ratios
14. Investors in real estate investment trusts (REITs) and other securities are referred to as:
  - a. bona-fide purchasers.
  - b. shareowners.
  - c. speculators.
15. When speculators overvalue stocks, a \_\_\_\_\_ tends to occur.
  - a. home price bubble
  - b. stock bubble
  - c. recession
16. Due to the savings lost in the Great Recession and financial crisis, many Baby Boomers anticipate:
  - a. a delayed retirement.
  - b. an early retirement.
  - c. no retirement.



17. Upon retirement, the vast majority of retirees who owned a home will:
- rent a unit in a multi-unit dwelling.
  - continue to pursue some form of traditional ownership.
  - cohabit with their children.
18. As individuals approach retirement, their risk tolerance typically:
- increases.
  - stays the same.
  - decreases.
19. Adult children leaving parents' households or singles leaving shared housing for their own property is an example of:
- household formation.
  - de-leveraging.
  - financial atrophy.
20. Compared to the Baby Boomers (Boomers), Generation Y (Gen Y):
- finds high-skilled labor and purchases real estate earlier.
  - is taking longer to settle down and remains transitory longer.
  - marries and settles down earlier.
21. In the pursuit of higher-education, Generation Y (Gen Y) is raking up unprecedented amounts of \_\_\_\_\_, which is incompatible with mortgage financing standards.
- job experience
  - student debt
  - income
22. Generation Y (Gen Y) will likely settle in \_\_\_\_\_ ripe with professional opportunity and close to areas of cultural significance.
- rural areas
  - suburban
  - urban areas
23. Buyer purchasing power consists primarily of mortgage interest rates and:
- annual income.
  - personal savings.
  - Both a and b.
24. With the availability of easy money during the Millennium Boom, bankers had the impetus to provide mortgage funds to:
- as many borrowers as possible.
  - as few borrowers as possible.
  - the same volume of borrowers as prior years.
25. When growth slows after an economic boom, this is referred to as a:
- vicious cycle.
  - virtuous cycle.
  - circular cycle.

**END QUIZ 2A**

## Real Estate Economics: Realty Almanac 2017

### Quiz 2B

This quiz covers material found in **Factors 17-25**

Instructions: Quizzes are open book. All answers are multiple choice.

Quizzes are **optional** and may be taken as many times as you like.

Answer key is located on page 488.

#### START QUIZ 2B

1. The Federal Reserve's (the Fed's) mandate is to keep our economy stable by \_\_\_\_\_ and maintaining both job and price stability.
  - a. maintaining sufficient dollars in circulation
  - b. directly setting consumer interest rates charged by private banks
  - c. creating legislation to regulate the secondary mortgage market
2. The rate on the money private banks pay to the Federal Reserve (the Fed) is called the:
  - a. discount rate.
  - b. Glass-Owen Act.
  - c. rate of inflation.
3. To ensure the central bank would not cater to a particular political interest, the Federal Reserve (the Fed) was established as \_\_\_\_\_ District Reserve Banks.
  - a. 6
  - b. 12
  - c. 24
4. The \_\_\_\_\_ refers to those who lend money or let real estate.
  - a. debtor class
  - b. rentier class
  - c. austerity class
5. As part of the New Deal after the Great Depression, the government created \_\_\_\_\_ to facilitate economic stimulus.
  - a. Federal Housing Administration (FHA)
  - b. Federal National Mortgage Association (Fannie Mae)
  - c. Both a. and b.
6. One of the reasons why U.S. property can be such a good investment for an international homebuyer is due to fluctuating:
  - a. exchange rates.
  - b. weather.
  - c. attitudes towards immigration.

7. While the homebuyer tax credit subsidies were useful in selling property to people who were already on the cusp of purchasing, they:
  - a. also created new jobs.
  - b. did not organically create homebuyers.
  - c. also created a sustainable supply of new homebuyers out of tenants-by-nature.
8. Under the principal residence profit exclusion, joint filers who sell their principal residence may exclude a combined \_\_\_\_\_ of profit from being taxed.
  - a. \$150,000
  - b. \$300,000
  - c. \$500,000
9. To be eligible for the mortgage interest deduction (MID), homebuyers are required to finance their purchase with:
  - a. an adjustable rate mortgage (ARM).
  - b. cash.
  - c. a mortgage.
10. California's population:
  - a. has remained constant over time.
  - b. has always increased over time.
  - c. has decreased since 1960.
11. The most significant influences on California's population are:
  - a. economic.
  - b. birth and death rates.
  - c. environmental concerns.
12. California receives a higher population of net \_\_\_\_\_ migrants each year than any other state.
  - a. tax evading
  - b. domestic
  - c. international
13. Demographic information released by the \_\_\_\_\_ can be used to anticipate future population-driven real estate sales and leasing trends.
  - a. U.S. Census Bureau
  - b. U.S. Department of Agriculture
  - c. U.S. Military
14. \_\_\_\_\_ measures the average income per person in a population center and sets the average amount of money spent by members of the community.
  - a. Net worth
  - b. Per capita income
  - c. Minimum wage rates
15. Population growth in California's inland counties was fueled by international immigration primarily from:
  - a. Mexico.
  - b. Japan.
  - c. Haiti.

16. More highly-educated populations tend to seek out higher-paying employment, which are mostly available in:
  - a. higher-density population centers.
  - b. lower-density rural areas.
  - c. higher elevations.
17. The expression \_\_\_\_\_ refers to households for whom traditional ownership of their shelter is not economically possible.
  - a. "renters by necessity"
  - b. "renters by choice"
  - c. "tenants by nature"
18. The Federal Reserve (the Fed) uses \_\_\_\_\_ to prevent consumer inflation booms.
  - a. fiscal policy
  - b. monetary policy
  - c. public policy
19. In the aftermath of the financial crisis, numerous new lending regulations were formulated under the:
  - a. Truth-in-Spending Act (TISA).
  - b. Smoot-Hawley Tariff Act.
  - c. Dodd-Frank Wall Street Reform and Consumer Protection Act.
20. A(n) \_\_\_\_\_ audit pinpoints existing energy-efficient improvements, and lists the home's features in need of energy-efficient improvements.
  - a. home inspection
  - b. Energy Star Compliance (ESC)
  - c. Home Energy Rating System (HERS)
21. Turnover rates are highest when \_\_\_\_\_ are abundant and employee confidence in the economy is high.
  - a. jobs
  - b. foreclosures
  - c. bidding wars
22. The \_\_\_\_\_ rules limit mortgage funding to homebuyers with the financial ability to actually repay their debts.
  - a. ability-to-repay
  - b. qualified buyer
  - c. ability-to-do-math
23. Riverside County is an example of a(n) \_\_\_\_\_ for urban centers like Los Angeles and San Diego.
  - a. bedroom community
  - b. vacation spot
  - c. coastal community
24. Home sales volume in \_\_\_\_\_ County is a step ahead of the rest of the state.
  - a. San Francisco
  - b. San Bernardino
  - c. Sacramento

25. Unlike most of California, \_\_\_\_\_ reached a full jobs recovery, including regional population growth, in the first quarter (Q1) of 2015.
- a. Sacramento County
  - b. Los Angeles County
  - c. Santa Clara County

**END QUIZ 2B**

# Quiz Answer Key

## Real Estate Economics: Realty Almanac 2017

Quizzes are **optional** and may be taken as many times as you like.

Please use the **quiz answer key** provided below to check your answers if you wish to study further for your exams.

The following are the answers to the quizzes for Real Estate Economics 2017 and the page numbers where they are located.

### Quiz Answer Keys

Page numbers correspond with page numbers in the respective printed book.

Quiz 1A		
1	C	1
2	B	5
3	B	5
4	C	6
5	A	9
6	C	13
7	B	18
8	B	19
9	C	25
10	C	33
11	C	40
12	C	46
13	A	58
14	A	63
15	B	68
16	A	69
17	A	73
18	A	76
19	A	82
20	C	86
21	B	87
22	C	93
23	A	94
24	A	101
25	B	104

Quiz 1B		
1	A	111
2	C	114
3	A	114
4	A	120
5	B	121
6	C	124
7	C	128
8	B	132
9	B	132
10	C	138
11	C	138
12	B	139
13	A	141
14	C	142
15	A	143
16	A	146
17	A	148
18	B	149
19	C	160
20	C	161
21	A	163
22	B	166
23	A	171
24	A	173
25	C	180

Quiz 2A		
1	C	196
2	B	200
3	B	202
4	C	204
5	A	208
6	B	211
7	C	212
8	C	212
9	C	221
10	A	230
11	B	235
12	A	238
13	A	242
14	B	244
15	B	251
16	A	260
17	B	264
18	C	268
19	A	276
20	B	279
21	B	285
22	C	287
23	C	290
24	A	296
25	A	299

Quiz 2B		
1	A	302
2	A	304
3	B	304
4	B	310
5	C	318
6	A	327
7	B	338
8	C	342
9	C	342
10	B	348
11	A	349
12	C	356
13	A	368
14	B	371
15	A	375
16	A	377
17	A	377
18	B	382
19	C	386
20	C	392
21	A	407
22	A	418
23	A	426
24	A	448
25	C	463