

EXAM 3

1. Which of the following will terminate an easement for nonuse:
 - A. Prescriptive easement
 - B. Appurtenant easement
 - C. In gross easement
 - D. Gross easement
2. Which of the following would be considered a real property:
 - A. A maturing grape crop under a sales contract
 - B. Trade fixtures
 - C. A built in refrigerator in a mobile home that is not attached to the foundation
 - D. A bearing wall in a single family house
3. A real estate broker may have difficulty with personal property because its ownership rights and identification. This is because personal property can:
 - A. Be alienated
 - B. Be hypothecated
 - C. Become real property
 - D. All of the above
4. Alienation is the opposite of:
 - A. Acquisition
 - B. Abrogation
 - C. Avulsion
 - D. Amortization
5. A deposit to purchase real estate is held by escrow. In case of a conflict as specified in the purchase agreement. When is the escrow allowed to disburse the deposit:
 - A. Agreement of the parties
 - B. After a judgment
 - C. Arbitration
 - D. All of the above
6. When an owner acquires land with riparian rights appurtenant thereto, such rights:
 - A. Give the purchaser absolute ownership of adjacent waters
 - B. Must be expressed in the deed
 - C. May be determined accurately from an examination of public records
 - D. Are only available to land adjacent to moving water, a stream or brook within the watershed
7. The agent's commission for negotiating a real property lease is fixed by:
 - A. Real Estate Law
 - B. Law only if the term is one year or less
 - C. Agreement only if the term is over one year
 - D. Agreement

8. When rent is computed on the gross sales of a business. The lease is correctly termed:
- A. A net lease
 - B. A gross lease
 - C. A voidable lease
 - D. A percentage lease
9. Which of the following will terminate an easement for nonuse:
- A. Express reservation in a deed
 - B. A quitclaim deed from a valid owner
 - C. Prescription
 - D. Implication
10. The rights or power to sell property in the event of a default under the terms of the trust deed is given by:
- A. Trustee to the trustor
 - B. Buyer to the beneficiary
 - C. Buyer to seller
 - D. Trustor to trustee
11. The purpose of the Truth-in-Lending Act is to:
- A. Regulate usurious charges for credit
 - B. Establish a maximum annual percentage rate
 - C. Assure a meaningful disclosure of credit terms to the buyer
 - D. Limit the cost of credit to the consumer
12. Which of the following indicators would best define the purchasing power of the U.S. dollar:
- A. Discount rate
 - B. Gold standards
 - C. Interest rates on treasury notes
 - D. Price indexes
13. Conversation about a real estate finance that includes reference to a "warehousing" activity would probably be referring to:
- A. Securities registered with the Securities and Exchange Commission
 - B. Large storage buildings used to secure real property loans
 - C. A mortgage banker collecting loans prior to resale
 - D. None of the above
14. Lenders sometimes require borrowers to deposit amounts with the monthly mortgage payments to cover some costs related to the property. Which of the following would not be included in such impounds:
- A. Payments for special assessments related to the improvements of the public areas
 - B. County/ city property taxes
 - C. Monthly interest
 - D. Insurance premiums

15. 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 rate
16. Reserves or impounds all of the following are recurring costs by a lender except:
- A. Special improvements assessments
 - B. City county, Property taxes
 - C. Insurance Premiums
 - D. Monthly interest mortgage
17. Which of the following persons would usually be in the weakest position against loss of property due to a claim of title by an outside person:
- A. A holder of a certificate of title to property used by a title company
 - B. A holder of a recorded deed who rents the property
 - C. A holder of an unrecorded deed who occupies the property
 - D. A holder of an unrecorded quitclaim deed who does not occupy the property
18. Valuable, Adequate, and good sufficient means:
- A. Performance
 - B. Just compensation
 - C. Consideration
 - D. Bilateral contract
19. Dual Agency is legal if:
- A. All parties know about it before close of escrow
 - B. After signing all contracts
 - C. The buyer and seller consent to it
 - D. Broker and escrow agree to it
20. Which of the following is most nearly correct concerning buyer's agency:
- A. It is not legal in California
 - B. In buyer's agency, the seller is forbidden to pay any commission, directly or indirectly, to the buyer's agent
 - C. Buyer's agency often gives rise to disputes over who is the "procuring cause"
 - D. The buyer's broker has no agency relationship with the seller or the listing broker, and is therefore not liable for their actions
21. If a broker is an agent of the seller, he owes to the buyer:
- A. The same fiduciary obligations
 - B. Only the duty to answer questions honestly
 - C. Only a duty to disclose any items which relate directly to the sales price
 - D. A duty of Fair and honest dealing

22. Buyer Clark contacted broker Jacob to find out if Jacob had a listing on a certain property that buyer Clark was interested in purchasing. Broker Jacob did not have a listing on the property in question but informed buyer Clark that he would get the full details and relate it to him. The broker then contacted the property owner in an attempt to obtain a listing and informed the owner that buyer Clark was interested in purchasing the property. The owner refused the listing by informing the broker that the property was not for sale and that he would not list the property with any broker. Two months later, broker Jacob was informed that the owner had in fact sold the property to Clark without broker Jacob's knowledge. Given these conditions:
- A. Jacob is entitled to a reasonable commission from the owner
 - B. Buyer Clark is liable to broker Jacob for a reasonable commission
 - C. Broker Jacob has invested time and labor in the transaction and therefore could recover a reasonable amount for the investment of time and labor
 - D. Broker Jacob is entitled to nothing
23. Mr. Miller executed a full price and terms offer to purchase Taylor's property through Broker Micks who held an exclusive authorization and right to sell listing. As the broker was leaving the office for \$1,000 less than the listed sales price but which contained a larger down payment and other different terms. Micks, the listing broker, should:
- A. Tell the other broker that the property has already been sold
 - B. Present both offers at the same time
 - C. Present the offers to the sellers in the same order that he received them
 - D. Present the second offer only if the first offeree appears to be a credit risk
24. A real estate agent may legally represent all principals in the same transaction if:
- A. He has informed all the parties
 - B. He has obtained consent of all to this agency relationship
 - C. Collecting commission for both parties with knowledge of the others
 - D. All of the above
25. In July, Spenser bought Long's home through the listing broker Ceeley. Ceeley in November, when the first rain came, the tile roof leaked badly in many places. Spenser sued Long and broker Ceeley for the cost of the necessary new roof. Testimony in court showed that Long had mentioned the need of a roof to Ceeley, but Ceeley had not mentioned it to Spenser because he had not asked about it. The most likely result was:
- A. Spenser was successful in the suit against Ceeley and Long was entitled to recover damages from broker Ceeley
 - B. Spenser recovered from Ceeley only
 - C. Long is not liable
 - D. Spenser is not entitled to recover from anybody

26. **If a seller of real property inquired of his broker concerning the ethnic background of a prospective buyer, the broker:**
- A. Should secure the permission of the buyer's broker before revealing such information
 - B. Is obligated by fiduciary duty to disclose all material facts and therefore must disclose the requested information
 - C. Violates the California Fair Housing Act (the Rumford Act) if he gives the seller the requested information
 - D. Could give the seller the requested information as long as it is pointed out that the information may not be used to discriminate against the buyer
27. **When a seller makes a counter-offer, the:**
- A. Offeror may change the terms without the consent of the other party
 - B. The offeror may not change the terms
 - C. The offeree becomes the new offeror
 - D. The offeror and offeree mutually agree to terminate the agreement
28. **If a broker receives a personal check made payable to an independent escrow company from a buyer as deposit on the purchase price, the broker:**
- A. Must have the buyer re-issue the check to the broker so that it can be placed in the broker's trust account
 - B. Must maintain a columnar record of the deposit
 - C. Must deliver the check to the escrow
 - D. Is not required to maintain a record of the check since it was made payable to the escrow company
29. **Broker Abe took a listing from Mr. Cain on a commercial property. Broker Abe then presented an offer from the XYZ Company that was above the listed price. Mr. Cain accepted the offer. However, the broker did not tell Mr. Cain that he was one of the principals in the XYZ Company. Concerning the sale, the:**
- A. Broker is subject to a fine by the Commissioner
 - B. Seller could cancel the contract
 - C. Seller could do nothing since he has sold above the listed price
 - D. Seller must pay a commission
30. **Since Harris did not have the necessary \$285,000 cash to purchase 300 acres of land for future subdivision, Nishimoto agreed to purchase the land and enter into a conditional installment sale contract with Harris, selling him the land for \$298,000. Assuming only the above, this is a:**
- A. Voidable transaction by Harris
 - B. Void transaction
 - C. Disguised mortgage transaction
 - D. Valid purchase and resale transaction

31. **Attorney in fact is:**
A. A principles who has implied powers
B. Any legal competent person who has received a power of attorney from another person
C. Any person acting as a dual agent
D. Any attorney acting as an executor
32. **An executed contract is a contract:**
A. Completed and fully performed by both parties
B. Under jurisdiction of probate court
C. Signed, notarize, and recorded
D. Novation
33. **In which of the following transactions is the agent required to disclose his or her agency relationship:**
A. The exchange of a commercial property
B. The sale of a residential triplex
C. The sale of an office building
D. An installment sale of a theater
34. **Jimmy built a house on speculation and sold it for \$282,000 receiving \$262,000 cash from the proceeds of new financing and a \$20,000 note secured by a second deed of trust. In order to build a second house on another lot, Jimmy would like to borrow \$50,000. If he uses the \$20,000 note as part of the security, the note in this instance would be a:**
A. Chattel mortgage
B. Purchase money mortgage
C. Holding agreement
D. Pledge
35. **Mr. 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 State
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
36. **A real estate licensee acts as:**
A. Ratification
B. Ostensible agent
C. Dual agency
D. Fiduciary

37. A flood hazard report is required as part of filing for a subdivision public report. If a flood hazard exists, the degree of hazard must be reported. The degrees of flood hazard are:
- A. Inundation, sheet overflow, and ponding of local storm water.
 - B. Accretion, avulsion, and alluvium
 - C. Frequent, infrequent, and remote
 - D. Below water table, water table level, and above water table
38. Ross, who owns a commercial building, enters into a seven-year lease with Roberts for the property. In your opinion, Robert's lease is:
- A. An estate for years
 - B. Personal property
 - C. A chattel real
 - D. All of the above
39. Which of the following is real property:
- A. Stock in a mutual water company
 - B. A trust deed
 - C. A mortgage
 - D. None of the above
40. Inflationary trends in the housing market affect:
- A. Market values
 - B. Market values and sales prices
 - C. Sales prices only
 - D. Demand for housing
41. Which of the following items might be short-rated by the escrow holder:
- A. Fire insurance
 - B. Title insurance
 - C. Real estate taxes
 - D. Interest
42. Alienation expresses a meaning most completely opposite to:
- A. Acquisition
 - B. Abrogation
 - C. Avulsion
 - D. Amortization
43. Which of the following is acceptable response to sellers who have indicated their home is not to be shown to sales of prospects who are members of the ethnic minority group. The agent must:
- A. I can show it to anyone I want
 - B. This conditions we will get a better price value won't drop
 - C. I can not accept the listing on your property because prohibited from discrimination
 - D. With unacceptable terms they won't be interested

44. Mr. Abdul owned an unencumbered lot and decided to build a single family residence on it. He bought \$8,000 worth of lumber and had it delivered to the property. One week later, he obtained a construction loan for \$150,000 from People's Savings and Loan Association. The loan was recorded after the lumber was delivered. Later more lumber was delivered and subsequently the completed structure was painted. When the lumber company could not collect \$8,000 on the amount owed and the painter could not collect \$3,000 for the painting; they each filed a mechanic's lien. If the property is sold at a foreclosure sale and nets \$150,000, the amount received by People's Savings and Loan would be:
- A. \$150,000
 - B. \$139,000
 - C. \$142,000
 - D. Nothing
45. A seller was presented an offer on his home which he immediately accepted. The acceptance was communicated to the buyer. Before escrow was opened, the seller found another buyer who was willing to pay all cash. He decided to cancel the original contract and notified the broker of his decision. Under these circumstances:
- A. The broker is entitled to no compensation
 - B. The broker has an excellent legal basis to collect a commission
 - C. The deposit must be returned to the buyer and the buyer has no further claim against the seller
 - D. All of the above
46. The holder of an easement that is not attached to any land owned by the easement holder has:
- A. An appurtenant easement
 - B. An easement in gross
 - C. A servient tenement
 - D. An easement by necessity
47. When a real estate broker negotiates the sale of a used mobile home, it is the broker's responsibility to give written notice of the transfer to the Department of Housing and Community Development within:
- A. 3 calendar days
 - B. 5 calendar days
 - C. 10 calendar days
 - D. 10 business days
48. The maximum amount of a broker's personal funds that may keep in his or her trust account without being guilty of commingling is:
- A. \$100
 - B. \$200
 - C. \$300
 - D. \$400

49. When a licensee acts as an agent for another without authority or color of authority and the acts are later approved by the principal, an agency has been created by:
- Implication
 - Estoppel
 - Ratification
 - Agreement
50. Bank lends 80% of appraised value. Interest rate at 11%. First year interest was \$7,040. What was the appraised value:
- \$64,000 $\$7,040 / 11\% = \$64,000$ loan amount
 - \$76,000
 - \$80,000 $\$4,000 / 80\% = \$80,000$ appraisal value
 - \$85,000
51. The following instructions were given to a real estate agent to sell properties in a new subdivision:
- Instruction 1: Sell to women rather than men
- Instruction 2: Try to sell homes in equal numbers to Hispanics, Asians, Africans and Caucasians
- Sell to women rather than men is discrimination
 - Try to sell homes in equal numbers to Hispanics, Asians, Africans and Caucasians is discrimination
 - None of the above
 - both A and B
52. A home owner needed \$9,000 to pay for child's education. The lender arranged an equity loan for the amount of \$9,600. The lender must now present the borrower with the following:
- Good faith estimate
 - Schedule of payments
 - Mortgage loan disclosure statement
 - Amount of payments
53. Jackson sold a condominium to William for \$90,750. William assumed an existing loan for \$30,000. If there is no other agreement and the rate of 55% for each \$500, the most nearly amount of tax to be paid is:
- \$57
 - \$100 $\$90,720 - \$30,00 = \$60,720$
 - \$83 $\$60,720 / \$500 = \$121.44$
 - \$67 $\$121.44 \times 0.55 = \$66.792 = \$67$
54. The current use of a building to its highest and best use is called:
- Present use
 - Future use
 - Economic use
 - Interim use

55. To an appraiser, the method used to evaluate a shopping center is:
 A. Comparison approach
 B. Income approach
 C. Cost approach
 D. Data approach
56. Which of the following types of listings enables the broker to represent the seller as the agent or allows the broker to purchase the property himself:
 A. Exclusive Agency
 B. Option listing
 C. Open listing
 D. Exclusive right to sell
57. In 1998, broker Drake acted as the agent for 3 different principals in the purchase of 3 apartment buildings. Later, the purchasers were able to prove that broker Drake had misrepresented the income on the properties and each principal was able to obtain a judgment for damages against Drake in the amounts of \$10,000, \$15,000 and \$25,000. If broker Drake is now bankrupt and each principal seeks reimbursement from the Real Estate Recovery Account and the claimant with the \$25,000 judgment would receive:
 A. \$10,000
 B. \$15,000
 C. \$20,000
 D. \$25,000
58. An unlicensed employee may not do all of the following in a real estate office except:
 A. Quote interest rates
 B. Quote property values
 C. Type the listings for the salespersons
 D. Show properties for the salesperson
59. Vargas owned 3 sections of vacant land. He sold eight parcels of 80 acres each at a price of \$160,000 each. He then sold the remaining landing parcels of 160 acres each at a price of \$400,000 per parcel. Based on this information, the total selling price for the 3 sections of land was:
 A. \$1,280,000
 B. \$2,560,000
 C. \$3,200,000
 D. \$4,480,000
- $3 \times 640 = 1920 \text{ acres}$
 $8 \times \$160,000 = \$1,280,000$
 $8 \times 80 = 640 \text{ acres}$
 $1,920 \text{ acres} - 640 \text{ acres lots} = 8 \text{ parcels}$
 $8 \times \$400,000 \text{ each} = \$3,200,000$
 $\$3,200,000 + \$1,280 = \$4,480,000$

60. Which of the following listings may the owner cancel the listing even if sold through the agents efforts:
- A. Exclusive right to sell listing
 - B. Net listing
 - C. Open listing
 - D. Multiple listing service
61. Which of the following rights of ownership in real estate an individual may not have:
- A. Eminent domain rights
 - B. Adverse condemnation
 - C. Subject to transfers
 - D. Riparian rights
62. Willy paid \$17,424 for a vacant lot which had an area of 21,780sq. ft. and was 140 ft. deep. He then sold the lot and made a 40% profit after paying a 10% commission to Broker John. At what price per front foot did the lot sell:
- A. \$155
 - B. \$174
 - C. \$193
 - D. \$200
63. The owner of a condominium unit in a condominium development is selling her unit and wants to place a "For Sale" sign on the property. If the CC&Rs prohibit the posting of a "For Sale" sign in the complex, the owner:
- A. Is legally permitted to post a sign if it is of reasonable proportions
 - B. Must adhere to the restriction in the CC&Rs
 - C. Must obtain permission from a majority of the other owners in the project
 - D. Must obtain permission from the owners immediately adjacent to her unit
64. BTU (British Thermal Unit) refers to:
- A. Foundations
 - B. Heating systems
 - C. Conduits
 - D. Hip roofs
65. A Disclosure Statement regarding any earthquake hazard must be given to a prospective purchaser by the seller or the seller's agent. This statement must contain which of the following information:
- A. Location of power lines, flood zones and other hazards
 - B. Whether the property is or is not in an official earthquake fault zone
 - C. The location of all emergency services
 - D. All of the above

66. Which of the following is not related to income tax:
- A. Increase in population
 - B. Tax deferred
 - C. Homestead
 - D. Increase in population
67. Multiple apartment buildings are represented by:
- A. A3
 - B. C3
 - C. M3
 - D. R3
68. Increase in value with the passage of time is known as:
- A. Cash flow
 - B. Appreciation
 - C. Return on the investment
 - D. Capital gain
69. If you are ask to appraise a property built in 1910 in the present, which of the following would you use:
- A. Cost of living index in 1910
 - B. Original cost in 1910
 - C. Cost of living index
 - D. Today's cost of reproduction less depreciation
70. 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
71. When used in real estate, which of the following terms are usually used with such adjectives as "good", "sufficient", "adequate" and "valuable":
- A. Unilateral contract
 - B. Performance
 - C. Consideration
 - D. Commission
72. A licensee who speaks of a "grandfather" clause is probably referring to:
- A. Inheritance rights of a direct descendant
 - B. Public restrictions on the use of a property
 - C. A change in zoning
 - D. Continuation of a non-conforming usc

73. **For appraising purposes, when making adjustments in the direct comparison analysis:**
A. Any differences in the subject property are adjusted to the market norm
B. Comparables are adjusted to the market norm
C. Comparables are adjusted to the characteristics of the subject property
D. Subject property is adjusted to the standards set by the comparables
74. **When buying a single family residence with the aid of an unlicensed person. If the unlicensed person receives compensation, the agency that will prosecute the unlicensed person is:**
A. District attorney of the respective county
B. Real estate commissioner
C. Police department
D. Superior court
75. **As to ethics, the best guidelines to determine if an action is ethical will be found in which of the following:**
A. The "Realtor's Golden Rule"
B. The Business and Professions Code
C. The conduct of other real estate agents in your office
D. What is in the best interest of the real estate licensee
76. **A real estate broker presented an offer to the seller, which the seller accepted. During escrow, the seller discovered that the buyer was the brother of the broker. This relationship was not disclosed in the offer. The seller can:**
A. Is a good change for damages to the broker license
B. No illegal action if the offer is not less than the listed price
C. Cancel the transaction without liability for the commission
D. None of the above
77. **Wilson signed an offer before the broker could obtain unqualified signed acceptance of the offer from the seller and Wilson died of a heart attack. The contract is now:**
A. Notification to administrator could bind the Wilsons estate
B. Death of Wilson is the renovation of the offer
C. Unqualified acceptance is an enforceable contract
D. Not binding deed was not delivered prior to Wilsons death
78. **A "release clause" in a trust deed provision is:**
A. Relieves purchaser who takes a subject to trust deed from paying a deficiency judgment case of foreclosure
B. Relieves a co-grantor from further liabilities
C. Creates a lien only on taxes and assessments
D. Allows portion of the property given as security to be removed from the trust deed lien upon performance of an act of a specific act

79. **Who is in charge of constructing street's utilities and curbs:**
A. The city
B. Developer
C. County
D. Construction crew
80. **Which of the following is synonymous:**
A. Interim loan/ Take out loan
B. Construction loan/ Interim loan
C. Take out loan/ Construction loan
D. Take out loan/ Progress loan
81. **Who is in charge of the direct enforcement of building codes:**
A. Real estate commissioner
B. Zoning laws
C. Building inspector
D. Developer
82. **If title and possession are not concurrent at the close of escrow, the agent must create:**
A. Interim occupancy agreement
B. A new purchase contract
C. Charge interest
D. Notify the lender
83. **A prepayment penalty clause on a loan means:**
A. Penalty to a borrower who makes advance payments
B. Increase discount points on a government loan
C. Borrow additional money on the same trust deed
D. Pay off the entire loan
84. **Turn Key project is:**
A. Approved by the authorities
B. Construction project completed ready for occupancy
C. Interior of subdivision
D. Rural subdivisions
85. **A developer who owned a large parcel of land wanted to subdivide the parcel and sell individual lot to potential builders of single-family residences. In order to finance the costs of improving the parcel with streets, sidewalks, and gutters, and to be able to pass these costs on to the purchasers, the subdivider would use:**
A. Land Sales Contracts
B. First and second trust deeds
C. Mello-Roos Municipal bonds

D. Improvement bonds

86. If a loan with a due on sale clause taken over "Subject to" without the consent of the lender:
- A. The loan may be accelerated
 - B. The buyer may lose the property to foreclosure when obtaining financing
 - ☒ C. The seller may be held personal liable for loan and deficiency if permitted by law
 - D. All of the above
87. A lien imposed by court in all of the principals property is a:
- A. Specific lien ☒
 - ☒ B. General lien
 - C. Attachment
 - D. Mechanics lien ☒
88. What is true about legal aspects of real estate law:
- A. Personal property can never become real property
 - B. Personal property can never be financed
 - ☒ C. Personal property can become real property
 - D. Real property only includes personal property
89. A listing agreement is:
- A. A promise for promise
 - B. A bilateral contract
 - C. An employment contract
 - ☒ D. All of the above
90. Which of the following is necessary for creation of an agency:
- A. Writing
 - B. Contract
 - C. Compensation
 - ☒ D. Mutual consent
91. When is permissible to the broker to fill out the transfer disclosure statement:
- A. When the seller is ready
 - ☒ B. Before close of escrow
 - C. When the agent has instructed to do so by the seller
 - D. When the agent inspects the property
92. Lower the loan to value, higher the:
- ☒ A. Equity
 - B. Price
 - C. Down payment
 - D. Higher taxes

93. A broker placed the following ads, 4 bedrooms 3 bathrooms, pool, spa, \$154,000 call 991-2345. Which of the following is true about the ads:
- A. Deceptive ad
 - ☒ B. Blind ad
 - C. Misleading ad
 - D. Applicable ad
94. Demand for non-agriculture properties includes:
- A. Population
 - B. Income
 - C. Housing cost
 - ☒ D. All of the above
95. A contract to seller and broker to sell is in a form of:
- A. General power attorney
 - B. Novation
 - ☒ C. Written agreement
 - D. Assignment
96. Customary procedure to enforce private restrictions in real estate is:
- A. Judgment
 - ☒ B. Injunction
 - C. Indictment
 - D. Desist and refrain order
97. The phrase used by brokers to the principal is:
- ☒ A. Fiduciary
 - B. Ethical
 - C. Legal
 - D. Disclosure
98. A borrower bought a home for \$162,000. Gradual economic inflation affects the equity to the benefit of the:
- A. Beneficiary
 - B. Trustee
 - C. Lender
 - ☒ D. Trustor
99. What is true about escrow:
- ☒ A. Escrow changes from dual agency to single agency for each party
 - B. Is always dual agency
 - C. Escrow represents only the lenders to follow up the day of closing
 - D. Escrow represents only the seller

100. Which of the following will least appeared on the buyer's debit side:
- A. Tax prorations
 - B. Insurance prorations
 - C. FHA points
 - ☒ D. Interest on assume loan record
101. Under FHA MMI represents:
- A. Insures mortgagor in the loss of fire
 - B. Pays off the mortgagor if he dies
 - ☒ C. Insures mortgagee in case of foreclosure
 - D. Is paid by the mortgage
102. Market value is synonymous with:
- A. Cost
 - ☒ B. Price
 - C. Value
 - D. Value or probable sales price
103. The beneficiary on a second trust deed sold it for lesser value, this is an example of:
- A. Compensating balance
 - B. Insurance
 - ☒ C. Discounting
 - D. Profit
104. A licensee is entitling under a non-exclusive listing broker, he must prove that:
- ☒ A. He was the procuring cause of sale
 - B. That he was representing the buyer
 - C. No commission
 - D. Full commission
105. Rostanian was denied on credit and was denied access to her credit report and an explanation for rejection for credit. Rostanian may do which of the following:
- A. Sue to clear Rostanians credit
 - B. Sue for attorneys fees
 - C. Damages for pain and suffering
 - ☒ D. All of the above
106. Burg bought a mobile home from a dealer. Now Burg wants to sell it. Broker Fisher listed the mobile home. If Fisher wants to sell Burg's mobile home, the mobile home must:
- A. Fisher may sell a mobile that is only park in a mobile home park
 - B. Fisher may sell only brand new mobile homes
 - ☒ C. Fisher may sell a mobile home that is attach to a permanent foundation approved and

registered

D. Burg has to wait 1 year to put the mobile home for sale

107. **Out of state relatives of an agent want to buy a property. He made an offer to purchase property with a lease and an option to buy. Disclosures must be presented to:**

A. To the owner (seller)

☒ B. To seller's broker

C. To the relatives

D. All of them require disclosure

108. **An amendment to Transfer disclosure statement to the buyer:**

A. Receive an award for damages

B. Recind the offer

☒ C. Either A and B

D. None of the above

109. **A compensating clause for commission expired on a listing agreement. The broker verbally notify to the seller of a new buyer. The following day, buyer and seller got together and started negotiations. The broker may charge a commission on:**

☒ A. No commission

B. Commission on listed price

C. Commission on selling price

D. Right to negotiate a commission

110. **A property built next to a gas station, the owner should:**

A. Order soil engineer report

B. A contractor to build a new wall

C. A percolation test

☒ D. Toxic waste report

111. **Ownership rights and interest:**

A. Absolute conveyances or agreements

B. Liens or charges on land

C. Estates or fees

☒ D. All of the above

112. **Tax shelter refers to:**

A. Property taxes

B. Cash flow relief

C. Interest income

☒ D. Income tax

113. **Land value is estimated on the basis of:**

☒ A. Selling price of comparables

B. Cost approach

C. Unit in place method

D. Square footage

114. Which of the following is required for a valid deed:

- A. Acknowledgement
- B. Eviction on any day of the week except on Sundays
- ☒ C. Property description
- D. Use of the phrase to have and to hold

115. Charging for the preparation of the Uniform Settlement Act is:

- ☒ A. Nothing
- B. Not to exceed \$10 dollars
- C. \$100 dollars only
- D. Only if buyer decides to pay

116. Guidance disclosure sequence is as follows:

- A. Disclosure, election, confirmation
- ☒ B. Confirmation, election, disclosure
- C. Election, confirmation, disclosure
- D. Disclosure, confirmation, election

117. After the appraiser has collected all the data and applied the appropriate appraisal method(s), what is the next step in the appraisal process:

- A. Average the value indicators
- ☒ B. Reconciliation
- C. Amortization
- D. Finalization

118. When appraising a property on a hillside, the appraiser noticed cracks on the walls. The best recommendation is to:

- ☒ A. Order soil engineer report
- B. A contractor to build a new wall
- C. A percolation test
- D. Toxic waste report

119. A real estate broker negotiates the sale of home on behalf of the seller in which the buyer obtains a new first trust deed and the seller carries back a second trust deed for part of the purchase price. The broker recommends to the seller that they execute and record a "Request for Notice of Default". This would be done for the benefit of the:

- A. Beneficiary of the first trust deed
- ☒ B. Beneficiary of the second trust deed
- C. Trustee of the first trust deed
- D. Trustor of the second trust deed

120. A Disclosure form must be given to the purchaser of any properties that is subject to a lien created under the Mello-Roos Community Facilities Act. The party that is responsible for the delivery of this statement is the:
- ☒ A. Seller
 - B. Escrow agent
 - C. Broker
 - D. Title company
121. Roberto owns an apartment building and wants to exchange his property in a 1031 tax deferred exchange in order to defer paying taxes in the year of the exchange. He could exchange his apartment building for:
- A. A personal residence with an existing plan equal to or larger than the loan on his apartment building
 - ☒ B. A more valuable apartment building, exchanging loans and paying money to the other party to equalize the values
 - C. A less valuable apartment building, exchanging loans and receiving money from the other party to equalize the values
 - D. A less valuable apartment building and assume a smaller existing loan
122. A broker shows a prospective buyer a home. The buyer makes an offer and the seller accepts. The broker, buyer, and seller then go to the Reliable Escrow Company where the buyer makes out a personal check for a \$1,000 deposit payable to Reliable Escrow Company and hands it to the escrow officer. Which of the following is correct:
- A. The broker has to keep a record of the check in his record of all trust funds received and paid out
 - ☒ B. The broker has to keep a record of the check in his record of all trust funds received and not placed in his trust account
 - C. The broker has to keep a record of the check in his separate records for each beneficiary or transaction
 - D. The broker does not have to keep a record of the check
123. What type of title insurance policy covers everything:
- ☒ A. ALTA
 - B. Extended
 - C. Standard
 - D. No title insurance policy covers everything
124. A real estate salesperson is attempting to renew his license. The Department of Real Estate finds that according to the Department of Child Support Services, the party has failed to make the required child support payments. Under these circumstances, the salesperson's license:
- A. Can not be renewed
 - B. Is automatically revoked
 - ☒ C. Can be issued on a temporary basis for 150 days
 - D. Can be renewed for a 4 year term

125. To an appraiser to determine the amount of economic obsolescence suffered by a commercial property owner, which of the following is true:
- A. Are the rents charge equally
 - B. Are the rents to high in the neighborhood
 - ☒ C. Is the neighborhood prospering
 - D. Should a fire alarm system be installing
126. Who signs the reconveyance deed:
- A. Mortgagor
 - ☒ B. Trustec
 - C. Trustor
 - D. Beneficiary
127. If a licensee fails to renew his or her license prior to its expiration date, the licensee:
- A. Must file a new application and take a new license examination
 - B. Must file a renewal application within one year and pay the late fee
 - C. May renew it provided the licensee completes a 3 hour course in ethics
 - ☒ D. May renew it within two years by submitting the proper application and pay the appropriate late fee
128. Seller has an easement attached to the buyer's property. The seller did not use the easement for 21 years. The seller decided to use the easement after 21 years. The easement is now:
- A. The easement is valid
 - ☒ B. Terminated for non-use
 - ☒ C. The buyer reserves the easement
 - D. No one has an easement
129. Which of the following will be considered economic obsolescence:
- A. Termite damage
 - B. Bad architectural design
 - ☒ C. Zoning changes
 - D. Negligent care
130. A real estate broker advertises that he will give a seller a credit in escrow with his commission. For any seller who lists with him, he will pay \$50 and same for any buyer who purchases a property from him. This type of advertising is:
- A. Illegal as it is a restraint of trade
 - ☒ B. Legal if disclosure is made to all parties to the transaction
 - C. Prohibited if this is a RESPA transaction
 - D. Legal, since the amount offered is less that \$100

131. The purpose of the "hold harmless" clause in the residential Listing Agreement is to protect the broker from any liability or claims resulting from:
- A. Misrepresentations made by the broker
 - B. Incorrect information supplied by the seller
 - C. False information supplied by the buyer regarding the buyer's qualifications in obtaining a loan
 - D. Misrepresentations made by the broker's salespersons
132. An appraiser who is to appraise a commercial property with an estimated value of \$550,000 must hold which of the following appraisal licenses:
- A. Trainee
 - B. Licensed
 - C. Certified residential
 - D. Certified general real estate appraiser
133. There are three phases of steps involved in the construction of a single family residence. These three steps are:
- A. Land acquisition, map and plan approval and construction
 - B. Map and plan approval, construction and buyer approval
 - C. Land acquisition, construction and zoning approval
 - D. Subdivision map approval, building permits and creation of CC&Rs
134. In the sale of a residence, when the buyer is to take possession of the property prior to the transfer of title, the buyer and seller should execute a:
- A. Interim Occupancy agreement
 - B. Lis pendis
 - C. Quitclaim deed
 - D. Rental agreement
135. Two days after entering into a contract for the sale of home, both the buyer and seller agreed to rescind the contract. The broker representing both the buyer and the seller:
- A. Can deduct his expenses before returning the remainder of the deposit to the buyer
 - B. Deposit will be divided between the seller and the broker
 - C. Must return the entire deposit to the buyer
 - D. Must file an interpleaded action in court to determine the disposition of the deposit
136. When buying a home, buyers prefer which of the following policies;
- A. Fire
 - B. Standard
 - C. Earthquake
 - D. Inundation

137. The real estate agency disclosure form must be given to the parties in which of the following transactions:
- A. Sale of a theatre
 - B. Sale of an office building
 - C. Exchange of an office building
 - ☒ D. Sale of a residential triplex
138. Agent Ana presented an offer from one of the office listing. The offer had a contingency of the property to be approved by the Uncle Paul since he is financing the property. Ana did not discuss the offer with the buyers. Ana presented the offer to the seller thinking that the uncle will have no objection to the property. The seller received the offer and the offer was accepted. The buyer told Ana that the uncle was out of state and not present to approve the property, and now, they cannot find him and they are uncertain when he is coming back. The action by the agent was:
- A. Unlawful
 - B. Acceptable
 - C. Good strategy
 - ☒ D. Illegal
139. Broker A is representing Brown. A made an offer contingent to the sale of Browns home located in Elm St. Jones and accepted the offer on Main St. Then broker Abe handed the offer to broker R with a referral fee attached to it. To who the agent must present the disclosure to:
- A. Only to Brown
 - B. Only to Jones
 - C. Both owner of Main St. and owner of Elm St.
 - ☒ D. Both owner of Main St. and owner of Elm St. to Johns and Brown
140. In appraising to determine value by net income and percentage of reasonable return on an investment:
- ☒ A. Capitalization
 - B. Net income
 - C. Future income
 - D. Present value
141. Which of the following is a unique characteristic of an FHA mortgage:
- A. It has a low loan-to value ratio
 - B. It requires a low down payment
 - C. It is easy to qualify for
 - ☒ D. It insures the lender against loss

142. A commercial bank agreed to lend Davis \$180,000 for one year term provided. Davis agreed to maintain a savings account with the bank in the amount of \$18,000 during the term of the loan. This provision is known as:
- ☒ A. Compensating balance
 - B. Risk management
 - C. Mortgage insurance
 - D. A security deposit
143. A real estate agent wrote up an offer for a buyer. The buyer was primarily interested in this particular home because it was located in a very good school district. The deposit receipt did not make the offer contingent upon the school district. The offer was accepted and escrow was opened. During escrow, the buyer discovers the school district had just been changed and now the home is located in a poor school district. Which of the following is true:
- A. Buyer can back out
 - B. Buyer has the right to rescind
 - ☒ C. Buyer is bound to the contract
 - D. Buyer is not obligated to buy
144. All of the following could be a recurring expense to a reserve of impound account by a borrower except:
- A. Special improvement assessments
 - ☒ B. Monthly mortgage interest
 - C. Insurance premiums
 - D. City or county property taxes
145. Who signs the trust deed and promissory notes:
- ☒ A. Trustee
 - B. Beneficiary
 - ☒ C. Trustor
 - D. Mortgagee
146. Which of the following is true concerning a "buyers agency":
- A. Buyer agency is illegal in California
 - ☒ B. In a "buyer agency" the agents represent buyers only
 - C. Buyer agent doesn't allow the seller to pay commission to the buyer.
 - ☒ D. Buyer agent doesn't have an agency with seller's agent, he is not responsible for his action
147. If the city wants to acquire a commercial property by eminent domain, they:
- A. Must obtain approval from the State
 - ☒ B. Must pay the owner "just compensation"
 - C. Need not pay the owner anything
 - D. Will institute foreclosure proceedings

148. An appraiser intends that the estimate of value as disclosed in his appraisal report on a property be valid:

- A. As of the date of the appraisal only and may contain past values at some point in the past
- ☒ B. For a period of three months after the appraisal date
- C. Until the close of escrow
- D. Until a loan is funded

149. A broker, who is authorized by another broker to act as a subagent as authorized by the seller, is primarily responsible to:

- A. The broker
- B. The principal
- ☒ C. Both the broker and principal equally
- D. Neither the broker nor the principal

150. A clause on a trust deed where the lender's right shall be secondary to a subsequent trust deed:

- A. Open end clause
- B. Prepayment penalty clause
- ☒ C. Subordination clause
- D. Granting clause

<p>EXAM 3 ANSWERS</p>

1. A	41. A	81. C	121. B
2. D	42. A	82. A	122. B
3. D	43. C	83. A	123. D
4. A	44. B	84. B	124. C
5. D	45. B	85. C	125. C
6. D	46. B	86. C	126. B
7. D	47. C	87. B	127. D
8. D	48. B	88. C	128. A
9. C	49. C	89. D	129. C
10. D	50. C	90. D	130. B
11. C	51. D	91. C	131. B
12. D	52. C	92. A	132. D
13. C	53. D	93. B	133. A
14. C	54. D	94. D	134. A
15. A	55. C	95. C	135. C
16. D	56. B	96. B	136. B
17. D	57. C	97. A	137. D
18. C	58. C	98. D	138. A
19. C	59. D	99. A	139. D
20. D	60. B	100. D	140. A
21. D	61. A	101. C	141. D
22. D	62. B	102. B	142. A
23. B	63. A	103. C	143. C
24. D	64. B	104. A	144. B
25. A	65. B	105. D	145. C
26. C	66. C	106. C	146. D
27. C	67. D	107. A	147. B
28. C	68. B	108. C	148. A
29. B	69. D	109. A	149. B
30. D	70. D	110. D	150. C
31. B	71. C	111. D	
32. A	72. D	112. D	
33. B	73. C	113. A	
34. D	74. A	114. C	
35. B	75. B	115. A	
36. D	76. C	116. B	
37. A	77. B	117. B	
38. D	78. D	118. A	
39. A	79. B	119. B	
40. B	80. B	120. A	