

All of the following are factors generally re-considered when determining whether an item of personal property has become real property, except:

- Agreement between the parties;
- Permanence of the installation;
- Relationship of the parties;
- **Cost of the article;**

Fixtures: objects attached to real property or incorporated into the land which are now considered real property; in determining whether or not an item of Personal Property has become a Fixture. Use the Maria test Method Adaptability Relationship Intention Agreement the size, cost and time of attachment are NOT factors

Broker Jones was taken to court by a client who was suing the broker for fraud in a real estate transaction. The client was successful and was awarded damages in the civil suit. After the judgment has been handed down, the Real Estate Commissioner can immediately:

- Suspend the broker's license pending a hearing
- Hold a hearing with his deputies to decide if a Notice of Suspension should be mailed
- Revoke the broker's license
- **File an accusation and statement of issues and proceed against the broker**

The Real Estate Commissioner must follow the Administrative Procedure Act which is to file an accusation and then proceed against the broker.

Normally, a structure used primarily as a warehouse would be rented by:

- The cubic foot.
- The front foot;
- The square yard;
- **The square foot;**

Warehouses are usually rented per square foot.

When the owner of a property believes that her property has been over-assessed by the county assessor, she should contact the:

- County Tax Collector's Office
- County Board of Supervisors;
- State Controllers Office;
- **Assessment Appeals Board;**

If a Buyer or any other Property Owner felt that his property has been over-assessed he can make an appeal to the Assessment Appeals Board.

When a governmental body takes private real property for necessary public use, certain legal processes must be followed. Such a taking is an exercise of the right of:

- Zoning
- Escheat
- Police power
- **Eminent domain**

Eminent Domain is when the property is taken by the government because it is necessary for necessary public use. The owner of the private property taken receives just compensation through a process called Condemnation. Eminent Domain is usually NOT held by individuals,

A person who has complete control over a parcel of real estate is said to own a:

- leasehold estate.
- defeasible fee estate.
- life estate.
- **fee simple estate.**

Fee Simple, also known as fee simple absolute, is known as the highest degree of ownership. The other "estate" terms are all much more limited forms of ownership. A life estate expires over time, a leasehold estate has a definite term, and a defeasible estate is limited by a certain event happening.

Peter owns a single-family residence in which he, his wife, and two children reside. In filling out his income tax return he itemizes his various allowable deductions. The following expense would not be allowed as a deduction:

- real property taxes.
- uninsured casualty losses.
- interest on the loan.
- **cost of repainting exterior.**

Maintenance expenses for one's own residence are not deductible.

When the required payments on a real estate loan are insufficient to pay the interest due, the result is:

- A greater down payment
- Increased principal payments
- A reduced term of the loan
- **Negative amortization**

Negative Amortization Is when the required loan payments do not cover the principal and/or interest on the loan; this causes the loan balance to increase.

When a real estate broker acts as agent for, and collects a commission from, both the seller and the buyer in the exchange of real property, and does not disclose his dual capacity to both parties, he may:

- Provide the Real Estate Commissioner with cause to suspend or revoke his license;
- Prevent himself from recovering commissions from either party regardless of his honesty or fairness of the contract;
- Provide grounds for either party to rescind the sale purchase contract;

- **All of the other options are correct**

Dual agency relationships require that both parties, the buyer and the seller, give their informed consent concerning this relationship.

What is the main duty of a county assessor?

- Determine the percentage of assessed value that property owners will pay in taxes.
- Determine the tax rate that will be assessed property owners.
- Assign parcel numbers to new developments for the purposes of assessing and recording property taxes.
- **Determine the amount of tax to be paid by property owners.**

The assessor calculates the amount of taxes owed but does not determine the manner in which they're assessed. The current levy system is based on an assessment of 1% of the cash value of the home at time of last sale. Reassessments may occur if the homeowner makes structural additions. In addition, other local taxes may be added and the rate may increase by up to 2% per year.

Mr. Daniels made a written offer to purchase a home through Broker Starr. However, Daniels died in a car accident before Broker Starr could notify him of an unqualified, signed acceptance by the seller. Which of the following statements is most correct?

- The contract would not be binding because the deed had not been delivered into escrow.
- The acceptance does not have to be communicated to the buyer
- Notification of acceptance to the executor would bind the Daniels estate
- **The death of Daniels constituted a revocation of the offer**

In the event that a Buyer dies prior to any Acceptance by the Seller, the Offer is terminated.

In advertising a mortgage loan which bears a fixed rate of interest and is fully amortized by means of monthly payments, if a specific monthly payment is included in the ad, it must also contain:

- The amount of each payment which is applied to principal;
- The estimated closing costs;
- The annual percentage rate and the total amount of interest and finance charges to be paid over the life of the loan.
- **The principal loan amount, the annual percentage rate, the amount, number, and period of payments scheduled to the date of maturity;**

The Department of Real Estate is part of the:

- Department of Housing and Urban development
- State board of equalization
- Department of fair employment and Housing
- **Department of Consumer affairs.**

The property taxes on residential real property are determined annually by the:

- County Treasurer.
- State Board of Equalization;
- Board of Supervisors;
- **County Assessor**

A County Assessor is one who sets value of property for taxation purposes.

Which act requires that "reasonable accommodation" be made in public?

- Fair Housing Act
- Equal Opportunity Act
- Civil Rights Act
- **American with Disabilities act**

The American with Disabilities act, passed by Congress in 1990, this act requires that "reasonable accommodation" be made in public accommodations, including the workplace, for those with physical or mental disability. As a result it would require the removal of architectural barriers on some commercial properties.

When making a loan, amortization tables are used in order to determine the:

- Interest rate;
- APR
- Term of the loan;
- **Monthly payment;**

All of the following are essential elements of every valid contract, except:

- A legal act
- Adequate capacity of parties
- A meeting of the minds
- **The payment of money**

The four essentials of a valid contract is Meeting of the minds, Capable parties, Lawful object and Consideration

If two parties want to create an enforceable broker-principal relationship concerning a right, title or interest in real property, the most essential element to do so would be

- The authority to accept a deposit
- A Purchase agreement
- An agreement about the commission
- **An employment contract**

Most Essential Element of an Enforceable Broker-Principal Relationship is the employment contract (the listing contract)

Bill offered to by Willies house, the same day an offer cam in from Wendell. Willie consulted his agent about the offers, the neighbor came over and weighed in on the conversation and informed Willie that he would rather not live by Bill because he is Black. The agent told Willie that he should not deal with a black buyer and should deal with Wendell because he is white. Willie thus accepted the offer based upon the fact that Wendell was white.

According to fair housing, which of the following parties is not guilty of discrimination?

- Willie
- The neighbor
- The agent
- **Wendell**

If a person offered to buy a house, and his offer was chosen based upon his race, the person making the offer has not discriminated.

The most accurate determination of the age of a house can be made by inspecting the:

- Recorded subdivision map
- Physical condition of the house
- Architectural style of the house
- **Tax assessor's records**

The recorded subdivision map may show the date that the land was divided into parcels, and not when the improvements were built. The tax assessor's records will show when the assessor first started assessing that improvement.

While appraising a residence in a hillside subdivision, the appraiser observes cracks in the foundation and notices that the doors and windows do not close properly. The appraiser would probably recommend that which of the following be ordered:

- A special studies zone map;
- A home warranty protection policy;
- Termite inspection report;
- **A soils engineering report.**

When serving under an Exclusive Authorization to Locate a Property, the broker is serving as:

- Dual agent whenever the seller is not represented by a real estate agent whether or not the buyer concurs;
- Single agent until the property is located and then dual agent of both the buyer and seller in all cases;
- none of the other options are correct
- **Single agent representing the buyer and dual agent for both parties if permission to do so is obtained.**

An exclusive authorization to locate property is a written agreement where the buyer agrees to pay the agent a commission if he finds a suitable property for him to purchase. When a buyer signs an exclusive authorization to locate a property agreement there is usually a clause in the agreement which allows the broker to represent other buyers during the time limits of the agreement.

Which lender is the major source for junior loans negotiated today:

- Insurance companies
- Commercial banks
- Federal Land Bank
- **Private lenders**

Laches is best described as:

- Lis Pendens
- An attachment
- A deficiency judgment
- **Inexcusable delay in asserting a legal right**

Laches is an unreasonable delay that makes it inequitable to give the relief sought by a party in court.

Following proper action by the authorities, the zoning on a vacant lot was changed from "commercial" to "residential." Such an action is called:

- Retroactive zoning
- Spot zoning
- Blended zoning
- **Down zoning**

Down zoning refers to zoning changes that convert commercially zoned properties into ones zoned for residential use

If there is no agreement to the contrary, all of the following would qualify as a negotiable instrument except:

- Bank Draft
- installment note
- personal Check
- **A mortgage securing a promissory note**

Trust Deeds & Mortgages are instruments used to secure the promissory note. [These are non-negotiable instruments.]

A real estate broker presented an offer to a seller which met the terms of the listing. The offer was from a financially-qualified black person. Later, his salesperson presented the seller an offer at a lower price from white prospects. The seller did not accept either offer, but instead, sold the property to a neighbor through the same salesperson. The neighbor wanted to buy the property so as to prevent a minority person moving into the neighborhood.

Which of the following parties has not violated the Civil Rights Act of 1968?

- Seller

- Neighbor
- Salesperson
- **White prospects**

If a person offered to buy a house, and his offer was chosen based upon his race, the person making the offer has not discriminated.

A listing broker had a signed sale contract on a house. The broker then noticed a crumbling wall in the basement. Which of the following should the broker inform about the wall?

- buyer only
- seller only
- buyer, seller and mortgage company
- **both buyer and seller**

Licensees owe honesty and disclosure of all material facts to both buyer and seller. Material facts do not need to be disclosed to mortgage companies. That's because their primary interest in the property is value and any material defects will already have been factored into the price well before closing.

A clause in a trust deed, which states that the lender's right shall be secondary to a subsequent trust deed is called:

- A sub-mortgage clause
- An alienation clause
- An escalation clause
- **A subordination clause**

A clause which permits the placing of a mortgage at a later date which takes priority over an existing mortgage.

,if five people own property as joint tenants;

- They need not own equal interest in the property;
- And one of the owner dies, his heirs become tenants in common with the surviving co-owners;
- Each co-owner has a separate legal title to his undivided interest;
- **There is still only one title to the whole property;**

Joint Tenancy can be summarized with the word unity, unity of time, title, interest and possession. No matter how many joint tenants there are, there is still only One Title to the entire property. Each tenant must hold an Equal Interest in the property.

The document which is used to convey the title to real property from the trustee to the trustor when the trust deed is terminated:

- Quitclaim deed
- A warranty deed
- A grant deed
- **A reconveyance deed**

If the loan is paid in full the Beneficiary will issue a "Request of Reconveyance" and the trustee will issue a Reconveyance deed.

The Federal Truth-in-Lending Law (Regulation Z) gives the borrower a 3-day right of rescission when the loan is:

- A conventional purchase-money loan secured by a deed of trust on residential property.
- An FHA or VA loan to purchase a single-family, owner-occupied residence;
- A purchase-money loan secured by a deed of trust on commercial property;
- **A loan secured by a second deed of trust on owner-occupied single-family residence when the money is borrowed subsequent to the purchase;**

Truth-In-Lending Act: This Act was designed to protect the Borrower by requiring the Lender to make a meaningful disclosure of credit terms to the Borrower. The Truth-in-Lending Act would not cover Agricultural Loans. The right of rescission on a loan begins when Loan documents are signed by the borrower;

Land zoned for use as the site for a multifamily residential developments (such as apartment buildings) would be denoted as:

- A-3
- A-3
- M-3
- **R-3**

Multi-Family residential development is zoned as R-3

A contract that may be treated as legally unenforceable at the option of a party (usually the injured party) but remains enforceable until that party exercises her option. would be:

- Void
- Executory
- Recindable
- **Voidable**

A voidable contract is a situation which is capable of being unenforceable but is not so unless direct action is taken.

For homestead to be effective, when must a homeowner assert those rights?

- Before any bankruptcy proceedings begin.
- Before any lawsuits are filed by creditors.
- Before any court judgments are rendered.
- **Before any court judgments are recorded.**

In bankruptcy proceedings, a judgment is first "rendered" before it is "recorded" and made final. Homestead rights may be asserted up to that last moment.

After the buyers offer was accepted by the seller. The broker cashed the buyer's deposit and put the money in his office safe pending the close of

escrow. The seller demands the deposit money but the broker refused to give it to him. Assuming only the above facts:

- The broker has the legal authority to do with the deposit as they deem fit.
- The broker had the right to hold only half the deposit.
- The broker had legal justification too refuse to give the deposit money to the seller
- **The conduct would probably subject the broker to disciplinary action by the real estate commissioner**

Refusal by a Broker to turn over a Deposit to a Seller upon the Seller's request would subject the Broker to disciplinary action by the Real Estate Commissioner. The deposit belongs to the seller.

When dealing with the public, a broker may not:

- Reject a listing on real property in the area in which he is active
- Delegate any of his duties to other people
- Remain silent about a material fact if you think it is in the best interest of the seller to keep it unknown
- **Remain silent concerning material facts about a property known only to himself**

When dealing with the public, a broker may not remain silent considering material facts about property known only to himself

orientation refers to;

- safety standards
- resistance to heat
- structure
- **position on site**

Orientation refers to a building's positioning on its site.

A grant deed is deemed by law to be executed at the time it is:

- Delivered to the grantee
- Recorded
- Delivered to escrow
- **Signed by the grantor**

A Grant Deed is a deed that includes a warranty that the seller (grantor) has the unencumbered right to transfer ownership to the buyer (grantee). For a Grant Deeds it is not necessary to record a deed for it to effectively transfer title. Grant Deeds are considered officially executed when signed by the Grantor.

Which of the following is created when possession and title do not occur at the same time?

- Subordination clause
- Writ of execution
- Estate at Sufferance
- **Interim Occupancy Agreement**

How many years is an attachment lien good for?

- 2 years
- 1 years
- 4 years
- **3 years**

An attachment lien is good for three years and may be renewed.

When the owner of an apartment house makes capital improvements to the property that prolong its life, such expenditures:

- Offset up to \$1,000 of ordinary income per year;
- Are deductible as current operating expenses;
- Are not deductible at any time;
- **Are added to the cost basis of the property.**

Capital Expenditures made for improvements to property are added to the Cost Basis of the property and then Depreciated.

An offeree has the right to:

- revoke an offer.
- rescind an offer.
- release an offer.
- **reject an offer.**

The "offeree" is the person to whom an offer is made, usually the seller, and he or she is free to accept or reject it for any reason.

When a deed of trust is foreclosed by court sale, the action:

- Prevents a deficiency judgment
- Is not legal in California
- Is the same as a foreclosure by trustee's sale
- **Would allow the trustor a redemption period**

In Foreclosure by Court Sale the Trustor has a one-year redemption period during which the trustor can maintain possession of the property,

The Rose family owns a home in a semi-rural area, which is about five years old. Recently announced plans for a new regional airport will place their

home directly in line with a main runway ending 1 mile before their home. If the airport is constructed, will this diminish the value of the Rose Home?

- Yes, because of functional obsolescence.
- No, because value would increase due to the location close to the airport.
- No, because noise from aircraft passing overhead is not recognized as affecting property values.
- **Yes, because of economic obsolescence.**

Economic obsolescence occurs when factors unrelated to the property itself and outside of the owner's control diminish its value. A quick way to judge whether or not a property has become economically obsolete is to analyze whether, under the new circumstances, the location would still be chosen as a home site and, if yes, at what value compared with the current property.

An executed contract is a contract::

- Under the jurisdiction of the probate court
- Signed, notarized, and recorded
- That requires a novation
- **Completed and fully performed by both parties**

A contract is considered "Executed" once both parties have completely performed each of their obligations under the contract.

One who is authorized to perform certain acts for another under a power of attorney would be a:

- Attorney at law
- Attorney at will
- None of the other options are correct
- **Attorney in fact**

A type of agency relationship where one person holds a POWER OF ATTORNEY allowing him to execute legal documents on behalf of another. Decisions made by the attorney in fact are binding on the principal.

Under which of the following listings must an owner pay a commission, even though he sells entirely through his own efforts:

- Exclusive agency listing
- Non-exclusive listing
- Restricted listing
- **Exclusive right to sell listing**

Exclusive Authorization and Right to Sell Listing is a contract where the owner agrees to sell the property in question through the Listing Broker. The Listing Broker does not need to show that he is the "Procuring Cause" of the buyer. They get paid no matter who brings the buyer.

A release clause in a mortgage:

- Releases a guarantor from further liability under specified conditions
- Provides for an option to extend its due date
- Creates a lien second only to the lien of taxes and assessments
- **Allows portions of the property, given as security, to be released from the mortgage lien upon performance of a specified act.**

A clause in a blanket mortgage which gives the property owner the right to pay off a portion of the indebtedness, thereby freeing a portion of his property from the mortgage.

When comparing a straight note with an installment note, the straight note:

- Will have a total effective interest rate greater than if the loan were an installment loan
- Will have all the principal payments during the term of the loan including the last payment.
- Will have equal annual principal reduction payments
- **Will have no principal payments during the term of the loan except on the last payment**

In a Straight Note there are no principal payments made. The entire principal amount of the loan is paid off at maturity or the end. [The interest is paid off either at the end or during note's term.]

When a situation is such that damages would not provide an adequate remedy, in the case of a breach of contract, a suit for specific performance could be successfully brought by all of the following, except:

- One of the principals being represented by an attorney-in-fact
- The buyer of an income property
- The seller of a condominium
- **A licensed real estate broker acting as agent for the principals**

specific performance is a remedy provided by a court that orders the losing side to perform its part of a contract rather than, or possibly in addition to, paying money damages to the winner. In real estate brokers can not sue for specific performance

The net effect of a tight money policy implemented by the Federal Reserve Board would be the increasing of:

- Supply of money available for real estate financing.
- Use of new first mortgages in real estate financing;
- New home sales;
- **Use of junior loans in real estate financing;**

In a Tight Money Market money is tight, therefore you will see more second trust deeds (junior loan) and sellers will have to carry back a second more often. Because money is "tight" the banks do not have the ability to lend the full loan amount in one loan.

The cost basis of a single family residence can be adjusted for which of the following?

- Interest paid on a loan
- Fire insurance premiums
- Depreciation
- **Room or patio addition**

An example of an adjusted cost basis would be the addition of a patio on the personal residence [DO NOT factor in mortgage payments in this calculation.]

Usually a broker has a right to a commission only on the basis of negotiations which he completes during the term of the listing agreement, unless:

- The listing agreement has a liquidated damages clause
- He brings a court suit against his principal
- The listing involves the exchange of properties
- **A "protection period" clause is contained in the listing agreement**

A Protection Period Clause (safety clause) in a Listing will allow a Broker to collect a commission for a specified period of time after the term of the Listing has expired. It is a designated period of time to close deals with prospects that the licensee has been working with during the term of the listing. This is not a time to find a new prospect. They must put the name of the prospects in writing at the end of the listing period in order to earn a commission during the protection period clause.

When Salesperson Miller shows a residence owned by Owens and listed by his employing broker Park, Salesperson Miller is related to Seller Owens as:

- A direct employee;
- An agent of the seller.
- An independent contractor;
- **A subagent of the seller;**

Miller is functioning under the listing agreement that park signed with owens, thus Park is the agent and Miller is the subagent.

Jane is married to Bill, they have one child. Bill has property that is classified as "separate property." Bill dies intestate, how is his property distributed?

- 100% to the child
- 100% to Jane as his wife
- It will become property of the state.
- **50% to the child and 50% to Jane**

The separate property of a married person who dies intestate is divided 1/2 to the spouse and 1/2 to a single child, 1/3 to the spouse and 2/3 to the children if there is more than one child.

According to income tax laws, which of the following is true about depreciation of land?

- Land has a residual value but improvements do not
- The ACRS method of depreciation can be used when depreciating land
- Land is considered to be %25 of the total value depreciated
- **land is not depreciated**

An Income Property Owner is allowed to take Depreciation Deductions on his property, but in order to qualify for this type of Deduction, he must have made some kind of improvement or improvements to the property in question. [The Depreciation Deduction is based on the cost of the improvements that were made. The LAND does not depreciate]

Which of the following loans would be most likely to qualify for FHA insurance?

- A loan to buy a small business
- A loan to buy farm equipment
- A loan to purchase a farm
- **A loan to purchase 1-4 units of residential rental property**

Federal Housing Administration (FHA) insures Lenders against loss in the event of a default. FHA loan might approve a loan to buy 1-4 units of residential property to be used for rental purposes. To get an FHA loan you go to institutions that are authorized to deal with the FHA, there is no FHA office. Private insurers can insure loans when the borrower does not qualify for the FHA loan.

n real property transactions, a broker, as agent, is duty bound to obey all lawful instructions of the broker's principal. If the broker fails to do so, the broker could be:

- Subjected to fine and/or imprisonment as prescribed by law;
- Prohibited by a court of jurisdiction from practicing as a real estate broker;
- All of the other options are correct
- **Liable in damages for any injuries suffered by the principal as a result;**

An agent is employed to carry out the instructions of the principal, they can advise the principal in what to do, but at the end of the day they work for the principal and must carry out the principal's instructions as long as those instructions are lawful.

Beginning with the date when a parcel of property is sold to the state for delinquent taxes, the taxpayer's right of redemption exists for:

- 3 years
- 7 years
- 1 years
- **5 years**

If the Property Taxes delinquent, the Property is "Sold to the State by Operation of Law". Once sold, the Owner remains in undisturbed possession for a period of five (5) years. During those five (5) years, the Owner is capable of redeeming the Property by paying all back taxes plus any interest and/or penalties that are owed. [This five (5) year redemption period starts running on June 30th.]

A listing broker may legally refuse to present a proper offer on the property to the seller when:

- The seller has already accepted a backup offer;
- The broker plans to purchase the property himself;
- The broker is acting as a gratuitous agent.
- **Acting on the express instructions from the seller;**

A Licensee is obligated to present all written offers to a Seller immediately and at the same time. Unless it is a frivolous offer, or if he has been instructed by the Seller that he is not to present certain offers.

One of the following actions, taken in relation to advertising the sale of real property, is considered prima facie evidence by the real estate commissioner in California as being misleading or deceptive advertising. Which one is so regarded?

- The inadvertent misspelling of a broker's name in a newspaper
- Implying a yield on a note which is different from the interest specified in such note
- Advertising without disclosing the purchase price
- **A misleading map directing prospective purchasers to the site of a property for sale**

Misleading Advertising is advertisement that is deceptive or gives a false impression to consumers. For example, a misleading map, or misleading statements, like "move right in" if the property needs major repairs, or "no down payment required" when it is clear that it will be recommended to the buyer to put up the money for a down payment

According to the principle of equal dignities, if a contract is required by law to be in writing, the authority to enter into that contract must also be:

- Recorded.
- Acknowledged;
- Notarized;
- **Written;**

The "Equal Dignities Rule" requires that an agent's authority to enter into any contract required by law to be in writing can itself only be given by a written instrument. Oral authorization is insufficient for an agent to bind his principal to any contract that is within the statute of frauds.

Which of the following would not be subject to property tax:

- Mobile homes properly installed on a permanent foundation
- Vacant land located in an unincorporated area of the county
- Possessory interests of lessees in tax-exempt public property, such as leases on oil and gas properties.
- **Intangible personal property**

Intangible personal property is not subject to taxation. Real property and tangible personal property are subject to taxation.

Blockbusting is best described as an attempt:

- to form guerrilla bands to use violent action to integrate neighborhoods.
- by banks to refuse loans to homeowners in certain segments of the city.
- by insurance companies to refuse to issue homeowner's policies to certain residents of the city.
- **to panic a neighborhood into thinking property values will decline due to unwanted person(s) moving in.**

Using race, ethnicity or any other personal characteristic of an individual or a group to influence the buying or selling of real estate is illegal and carries stiff penalties that can be pursued by local, state and federal authorities as well as affected individuals.

The term depreciation refers to the:

- value of real estate after the expiration of its useful life.
- costs incurred to renovate or modernize a building.
- capitalized value of lost rental income.
- **loss of value in real estate from any cause.**

Although most commonly used to "depreciate" the value of a commercial or income property over its "useful life" for tax purposes, it's important to remember "depreciation" is actually much broader and applies to any factor from functional obsolescence to new highway construction that diminishes a property's value.

Thompson purchased a home in which he expects to live. As a part of the purchase price, he contracted for a first mortgage with a federal savings and loan association. Under the provisions of the Federal Truth-In-Lending Act, he may:

- Cancel because all real estate loans are entitled to certain cancellation rights under the Act;
- Not cancel because a federal savings and loan is exempt from the Act;
- Have the right to cancel because the mortgage creates a lien against his property;
- **Not cancel because a first mortgage to finance the purchase of his home carries no right to cancel.**

Which of the following types of depreciation would be the most difficult to cure?

- Residential Deterioration
- Functional Obsolescence
- Physical Deterioration
- **Economic Obsolescence**

Economic Obsolescence is the most difficult to cure because it is due to causes outside of the property lines thus they are usually outside of your controll. Example of these would be murder, crime or increasing airport noise.

If an appraiser were appraising a residence built in 1910, which of the following would be used:

- Cost of living index which increased from 95 to 128
- Original cost of materials in 1910
- Cost of living index of 1910
- **Today's cost of reproduction less depreciation**

When conducting an appraisal for 1910 home, the current cost to reproduce the home would probably be a factor of the utmost importance and relevance.

If the owner of the dominant tenement becomes the owner of the servient tenement and merges the two properties, what happens?

- The properties retain their former status.
- The easement is unaffected.
- The easement becomes dormant.
- **The easement is terminated.**

An easement is the right to cross one's property to get to another, if the two properties merge then there is no need for the easement

Of the following, which term correctly identifies preliminary architectural drawings and sketches such as elevations, plot plans, etc.:

- Consolidation agreements;
- Subdivision maps;
- Plottage;
- **Schematics.**

Schematics are architectural drawings which are not greatly detailed, but which show basic project layouts in broad scheme.

By signing an exclusive right to sell listing, the seller is creating a contract between himself and the:

- Buyer
- Sales Agent
- The MLS
- **Broker**

A Listing is a Bilateral Employment Contract between principal and broker whereby the broker is employed by the principal to find a buyer and accept a deposit. It is the most essential element of an enforceable broker-principal relationship. The duration for a listing may be for any length of time agreed to by both the broker and the seller

Which of the following "run with the land"

- Covenants
- Stock in mutual water company
- Easements appurtenant
- **Easements, covenants and water company stock**

Appurtenances are said to "Run with the Land" and they require no separate conveyance. Appurtenances include Easements, Stock in a Mutual Water Company, Covenants, and Minerals. They are considered real property

A person signing under a power of attorney, for the contract or agreement to be enforceable, should sign:

- The principal's name only to the agreement.
- Their name only to the agreement.
- All of the other options are correct
- **Their name and the principal's name to the agreement.**

The principal's name would be written in and accompanied by the signature of the attorney in fact.

The party who is required to report the sale of a single family residence to the Internal Revenue Service is usually the:

- Seller
- Broker
- Buyer
- **Escrow**

IRS Form 1099-S is used to report the sale of a single family residence. RESPA requires the preparer of the closing statement to report the sale to the IRS. The closing statement is usually prepared by escrow.

A recorded legal document that gives constructive notice that an action affecting a certain property has been filed in court is called:

- a habendum clause.
- a general warranty deed.
- an estoppel certificate.
- **a lis pendens.**

Lis pendens is Latin for "litigation pending," which will help you to remember that while a lis pendens isn't a lien, it is notice that litigation (a possible lien) is pending. The other terms listed deal with deeds (habendum clause and general warranty deed), or mortgages (estoppel certificate).

Of the following real estate loans, which one would not have to comply with the federal Truth-in-Lending law:

- A loan to purchase a mobile home;
- A loan to re-finance a single-family residence;
- A personal loan.
- **A business loan;**

Truth-in-lending applies to residential real estate, thus business loans would not apply. It is a federal law requiring disclosure of the Annual Percentage Rate, finance charge and several other pieces of information related to the loan. This disclosure allows you to compare the total cost of a loan from lender to lender. The disclosure is provided shortly after an application is received and again at closing. This applies to residential real estate, thus agricultural loans would not apply.

A grant deed has been issued to Eric Ryba that reads, "Eric Ryba, et ux." What does "et ux" mean?

- And others.
- And, without further encumbrances.
- And without further warranties.
- **And wife.**

An old term usually found on deeds, tax records and such, it has been supplanted by more modern forms such as tenancy in common and community property that recognize husband and wife as individuals.

"Capitalization" is a process used to:

- Find the interest rate
- Determine the net income
- Establish the market value
- **Convert income into value**

Capitalization (income) Approach Converts Income into value

When is the Market Data approach the least reliable?

- Rapid economic Change
- Inactive Market
- When there is nothing similar to the subject property
- **All of the other options would make this approach unreliable**

Market Data (comparison) Approach is the process of estimating the value of property through the examination and comparison of actual sales of comparable properties. It utilizes Entire property as the unit of comparison. Market Data becomes less reliable during times of rapid economic change or instability, or in an inactive market.

If a contract for the purchase of real estate is to be enforceable, the consideration must be sufficient relative to value in order to enforce a suit for:

- Rescission;
- Unlawful detainer;
- Damages.
- **Specific performance;**

Specific performance is a remedy provided by a court that orders the losing side to perform its part of a contract rather than, or possibly in addition to, paying money damages to the winner.

Mr. and Mrs. Winters hired the Superb Construction Company to install a swimming pool on their residential premises. In the event the construction company was unpaid and it was necessary for them to file a lien for payment of the contract, the encumbrance created would be:

- A general lien;
- A injunction;
- A conjunction;
- **A specific lien;**

Specific Liens only burdens a specific parcel of the owner's property. [Examples include trust deeds, mortgages, mechanic's liens, or property taxes.]

Which of the following is the best indication that the parties have mutually agreed to a contract:

- A successful defense against specific performance.
- Consideration;
- Delivery of the documents;
- **Offer and acceptance;**

The basic requisite of any contract is a proposal by one party, called the offeror, to another party, called the offeree, to accept the basic terms of the Agreement. If the offeree indicates assent to the proposal, there is an acceptance and the contract will bind both parties to its terms.

Which of the following describes a mortgage that requires principal and interest payments at regular intervals and is called the liquidation of debt by periodic installment until the debt is satisfied?

- annuity loan
- acceleration loan
- assemblage loan
- **amortized loan**

This question is a formal description of amortized loans--the most common form of mortgage where monthly payments include both principal and interest (as opposed to balloon or interest-only seconds). Typically, monthly payment amounts remain constant, while the interest portion is higher in the earlier years, giving homeowners a larger tax deduction with higher percentages of principal paid in the later years.

There is a spectacular house that a salesperson from Firm A has been trying for several weeks to list for sale. The owners have been interviewing salespeople from different firms. They tell A's salesperson that Firm B will charge 2% less commission for selling the house. What should A's salesperson say to the owner to get the listing?

- Salespeople will not show Firm B's listings because of their commission fees.

- Most brokers in the area charge a standard rate of commission, including Firm A.
- Firm B cannot provide good services because they charge less.
- **Firm A provides excellent services to market their sellers' properties.**

Not only is criticizing another firm's compensation policy a bad business practice, it's also potentially illegal under the Sherman Anti-Trust Act.

What is the basis of the market data approach to appraisal?

- The principle of highest and best use
- The principle of supply and demand
- The principle of conformity.
- **The principle of substitution**

Principle of Substitution is the basis for the market data approach. It states that no prudent person would pay one million dollars when there is another one readily available that has the same use, design and income for five hundred thousand dollars, the lowest price one is preferred.

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:

- requires that the broker advertise the property
- Is necessary for the creation of a unilateral contract
- is superfluous and unnecessary in the current contracts
- **Is important to the creation of a bilateral contract**

Bilateral Contract: a promise given by one party in exchange for a promise by a second party; the contract is binding on both parties to perform. [An example of a clause that, if included in a broker's listing, would create a Bilateral Contract is, "In consideration of the execution of the foregoing, the undersigned broker agrees to use diligence in procuring a purchaser."]

If a lien has been created by court action, and it covers all properties of the debtor in that county here it is recorded, it is known as:

- Specific lien
- Lis pendens
- Judgment lien
- **General lien**

General Liens applies to and burdens all of the owner's real property, but only in the county of recording. [Examples include tax liens or liens resulting from a court judgment.]

Which of the following statements is most correct:

- The property is automatically deeded to the state if the property is not redeemed within the first three years.
- Property is deeded to the state on July 1, if the property taxes for the prior year were not paid;
- The delinquent property tax payer must make monthly payments to the state during the statutory redemption period;
- **The real effect of a "sale to the state" by the tax collector is to start the redemption period running, but the delinquent owner remains in possession for five years;**

If the Property Taxes delinquent, the Property is "Sold to the State By Operation of Law". Once sold, the Owner remains in undisturbed possession for a period of five (5) years. During those five (5) years, the Owner is capable of redeeming the Property by paying all back taxes plus any interest and/or penalties that are owed. [This five (5) year redemption period starts running on June 30th.]

A buyer relied upon the fraudulent statement of the seller's agent and was damaged. The seller was unaware of the agent's false statement, and he tried to enforce the agreement. The buyer:

- Would have sufficient grounds for rescission;
- Could sue the seller's agent for fraud;
- Could sue the seller for fraud;
- **All of the other options are correct**

Explanation is in the answer

Using borrowed funds when available at rates that are below the equity yield of an investment property:

- Increases the cash flow.
- Decreases the equity yield.
- Is illegal.
- **Enhances the equity yield.**

This is an example of leverage. Borrowing money at 6% interest and earning 8% interest on the investment enhances the equity yield.

When a listing does not authorize the broker to accept a deposit but the broker finds a purchaser and accepts a deposit anyway, the deposit is held by the broker:

- As the agent of the seller
- As the agent of the escrow
- Illegally
- **As the agent of the purchaser**

Bill sold his farm to Bob. A crop is ready for harvest on this farm. Bill intended to harvest the crop prior to the sale, while Bob expected to receive the crops as part of the purchase. The crops were never addressed in either the negotiations or the purchase agreement. Absent a friendly settlement, which outcome is most likely:

- The crops cannot be harvested.
- Bill's intention to harvest the crop will govern, and Bill will receive the crop;
- The proceeds of the sale of the crop will be divided equally between Bill and Bob;
- **The crop will be considered real property and will go to Bob,**

Crops are considered to be real property as they run with the land.

If an appraiser uses the cost approach to appraising, the appraiser will use the market data approach to:

- Determine the selling price of the property.
- Decide upon the amount of depreciation;
- Decide upon the highest and best use of the property;
- **Determine the land value;**

Cost approach is the method of estimating the value of property by: (1) estimating the cost of construction based on replacement or reproduction cost new or trended historical cost (often adjusted by a local multiplier); (2) subtracting depreciation and; (3) adding the estimated land value. The land value is most frequently determined by the sales comparison approach.

A development company owned property that the city wanted so that it could extend the runways at the municipal airport. If the company refuses to negotiate with the city, then the city may acquire the property by:

- confiscation.
- escheat.
- descent and distribution.
- **eminent domain.**

"Eminent domain" is the principle that holds private property ownership is not without limitations. However, even though a municipality may force an unwilling owner to sell, it must prove its case through a series of hearings and pay fair compensation.

Which of the following can be achieved by dividing the price of the property by the rent that is produced?

- The economic value
- Interest Rate
- Capitalization Rate
- **Gross rent multiplier**

Gross Multipliers are found by dividing the price of the property by its rent. For example, a \$100,000 property that brings in \$10,000 a year would have an annual GRM of 10.

Which type of policy will cover everything?

- An all-inclusive title policy
- Extended policy
- ALTA policy
- **No policy covers all risks**

Title insurance policy is a policy that protects a buyer against errors or omissions or defects in the title of the property. No title insurance policy covers all everything.

An agreement wherein one party agrees to reimburse the other party for damages suffered in the event of a clearly defined risk, in exchange for payment of monetary consideration, is commonly known as:

- A fidelity bond
- A management agreement
- A lease agreement
- **An insurance policy**

Insurance is the promise of reimbursement for damages for the promise to pay. With respect to Fire Insurance, the policy should allow the insured to neither gain nor lose in the event of claim.

When a California real estate broker advertises for loan business, the ad must include which of the following:

- Approved under the California Real Estate Residential Mortgage Act;
- Mortgage loan correspondent;
- Licensed mortgage broker by the California Department of Real Estate;
- **Real Estate Broker, California Department of Real Estate.**

It would be perfectly ethical for an appraiser to do which of the following:

- Appraise a property in which the appraisers employment is made contingent upon reporting a minimum value
- Base the appraisers compensation on a percentage of the value estimate arrived at
- Not disclose his interest if the property is under 2 units
- **Appraise a property in which the appraiser has an interest, provided the appraiser first discloses his interest**

An appraiser is allowed to appraise property for a company in which he has an interest so long as he discloses this interest in his Appraisal Report.

When a real estate licensee negotiates the sale of a mobile home in California, written notice of the transfer must be provided to the department of housing and community development within:

- 2 calendar days
- 4 business days

- 10 business days
- **10 calendar days**

Notice of Transfer must be submitted within ten (10) calendar days of the sale of a Mobile Home.

In order for a grant deed to be effective in transferring title to property, it must:

- Be notarized
- Be recorded by the county
- Include a documentary transfer tax
- **Be delivered and accepted**

Deeds provide evidence of the transfer of title of real property from a grantor to a grantee. Deed Requires The Grantor must be Legally Competent, it must be Delivered and accepted and Contain a Granting or Action Clause. A deed does NOT need to be Acknowledged to be valid

Which of the following is an acceptable termination date for an enforceable exclusive listing of residential real property:

- whenever the loan is funded
- 3 days after notice of recession of the seller
- 90 days from the completion of construction
- **90 days after listing agreement is signed**

In an Exclusive Listing only one agent can be hired. It requires a specific termination date (not 90 days from the completion of construction, rather 90 days from signing). If two exclusive listings are signed, the seller may be liable for two commissions.

What type of listing does an owner agree to that: allows the listing broker to sell his/her property; pays the listing broker should a different broker sell it; and does not allow the seller the right to sell the property himself/herself without paying a fee?

- exclusive agency
- open listing
- ostensible agency
- **exclusive right to sell**

Remember, "exclusive right to sell" entitles the broker and his or her salespeople to a commission regardless of who finds the buyer. "Exclusive agency," on the other hand, means the owner does not owe a commission if he or she finds the buyer.

When a real estate licensee advertises properties on the internet, which of the following best describes the licensee's responsibilities?

- The licensee must respond to all inquiries within 48 hours
- The licensee must personally respond to all inquiries
- The licensee cannot respond to out-of-state inquiries
- **The licensee must exercise proper supervision over any non-licensure who responds to inquiries**

Unlicensed Assistants are NOT allowed to solicit buyers or sellers for a broker. Any activity by an Unlicensed Assistant in this regard would be a violation of California Real Estate Law by both the Unlicensed Assistant AND the Broker. A Broker must examine and approve any advertisement generated by an Unlicensed Assistant before publication. A Broker must supervise any responses to inquiries even on the internet.

Zena granted the property to Ungrilda, but because she knew that Ungrilda had a drinking problem she told her that there was a condition; the property would be forfeited if Alcohol is sold on the premise. Ungrilda would have which of the following estates?

- Estate in Sufferance
- Life Estate
- Fee simple Absolute
- **Fee Simple Defeasible**

A Fee Simple Defeasible puts conditions on the use of a property. For example, if an owner could lose title if the condition that no alcohol is sold on the property.

The primary purpose of a listing agreement is to:

- give the broker permission to sell all of his principal's properties.
- serve as a guide for a sales contact.
- list all improvements and amenities of the property.
- **serve as a contract of employment between the owner and the broker.**

A listing agreement is, in fact, a form of employment agreement in which Party A agrees to perform such and such tasks for Party B in exchange for a defined amount of compensation

How would separate property of decedent who dies without a will be divided?

- 2/3 to the spouse, and the remaining 1/3 among the children
- 1/4 to the spouse, and the remaining 3/4 among the children
- 3/4 to the spouse, and the remaining 1/4 among the children
- **1/3 to the spouse, and the remaining 2/3 among the children**

Separate property of decedent who dies without a will would be divided 1/3 to the spouse, and the remaining 2/3 among the children.

Of the following, which requires no notice to terminate?

- Estate at sufferance
- Estate at will
- Periodic tenancy
- **Estate for years**

An estate for years can be for any fixed period of time (commencing on 03/12/06 and terminating on 10/01/06), Because of the definite termination date, no notice to terminate is required.

Economic obsolescence might be attributed to each of the following except:

- The proximity of obnoxious nuisances;
- Oversupply of similar properties;
- An expensive home that later became surrounded by cheaper homes
- **No air conditioning in a commercial building in a warm climate**

An air conditioning unit would NOT be Economic Obsolescence. It would be Physical deterioration if it broke down and Functional Obsolescence, if it never was supposed to be there in the first place.

Under the Federal Truth-in-Lending Law, two of the most critical facts which must be disclosed to buyers of borrowers are:

- Carrying charge and advertising expense
- Installment payments and cancellation rights
- Duration of the contract and discount rate
- **Finance charge and annual percentage rate**

Truth-In-Lending Act was designed to protect the borrower by requiring the lender to make a meaningful disclosure of credit terms to the borrower

In a typical agency relationship between the broker and the client, the broker's commission is determined by:

- the local real estate board.
- minimums based on the property type.
- state law.
- **mutual agreement.**

There are no rules, regulations, guidelines or "preferred" rates or means of compensation for brokers and salespeople and each relationship is negotiated separately.

Tenant Albert agrees to perform certain property repairs for owner Bob. Despite repeated promises, Albert fails to perform the repairs. Bob then writes up a contract, and compels Albert to sign it by threatening to evict him if he doesn't. Such a contract would be:

- Illegal
- Enforceable
- Void
- **Voidable**

A voidable Contract is a contract that may be rejected by either of the parties. It is valid until it is rescinded. Examples of voidable contracts include contracts signed under duress, or contracts entered into with threat or menace. Any time you are forced to enter into a contract when you do not want to do, the contract is voidable.

With regards to listings, it is your understanding that:

- Listings must be in increments of 90 days (3 months)
- You do not have to prove that you are the procuring cause in an open listing
- A net listing is illegal in California
- **An exclusive listing can be for 24 hours**

The real law requires that exclusive listings have a date of completion. But it does not specify when that date must be. Thus a listing can be for ANY period of time.

An actual agency relationship that arises by the actions of the parties rather than by expressed written agreement is called:

- general agency.
- special agency.
- universal agency.
- **ostensible/implied agency.**

This is an "acts like a duck, walks like a duck, is a duck" interpretation of the law. While ostensible agency is recognized in some states, it's not in others and written agreements should always be sought.

The finance fee charged by the lender to make the loan is a(n):

- prepayment penalty.
- advance interest payment.
- prepayment of mortgage insurance.
- **loan origination fee.**

Even though typically financed, LOFs represent immediate revenue lenders receive to help offset the comparatively low-interest, long-term loan terms most mortgages represent.

Albert is a tenant and agrees to perform certain repairs for Bob who is the owner. Despite repeated promises, Albert fails to perform the repairs. Bob then writes up a contract, and compels Albert to sign it by threatening to evict him if he does not. Such a contract would be:

- Void
- Enforceable
- Illegal
- **Voidable**

Examples of Voidable Contracts include contracts signed under duress, or contracts entered into with threat or menace.

Some common types of legal transactions that require appraisals are:

- Damage lawsuits, loan foreclosures, and security for bail bonds.

- Income tax casualty losses, estate or inheritance tax, and property settlement upon divorce.
- Company liquidation or merger, capital gains tax basis, and loan foreclosures.
- **All of the other options require appraisals**

The above items all require an appraisal.

What is the maximum amount that can be paid from the Real Estate Education, Research and Recovery Account on behalf of a licensee in a judicial action?

- \$20,000
- \$50,000
- \$40,000
- **\$100,000**

Intended as a last resort, the Recovery Fund reimburses consumers for losses suffered because of fraud or other acts of misconduct committed by a licensee. It's important to note that the ceiling is \$20,000 per transaction, up to a combined total of \$100,000 per licensee

Mr. Smith owns real property in severalty. This term is used to legally describe ownership by:

- Several tenants in common;
- Remainder;
- Co-tenants
- **An individual**

Ownership in Severalty is a type of ownership, also known as is separate ownership by one individual (or one corporation)

Why do brokers use a trust fund accounting?

- In order to earn more interest
- In order to commingle funds
- In order to designate their amounts with the federal deposit insurance Corporation
- **In order to separate trust fund money from the broker's money**

Usually a separate checking account is used to separate a Client's money from the Broker's money, although a Trust Fund Account can hold up to \$200 of a Broker's money without issue.

In which of the following situations could a broker receive no commission?

- The broker proves that he is the procuring cause of the buyer in an exclusive agency listing
- The broker proves that he is the procuring cause of the buyer in an exclusive right to sell listing
- The broker proves that he is the procuring cause of the buyer in an open listing
- **The broker proves that he is the procuring cause of the buyer in a net listing**

In all of the other listings, if the broker proves that he is the procuring cause, they would earn a commission. However a net listing is an employment contract in which the broker receives, as commission, all excess monies over and above the minimum sales price agreed on by broker and seller. Therefore if he brings in an offer at or below the sales price then he would get no commission.

Where in a listing does it contain the seller's exact terms and conditions?

- subordination clause
- Contingency clause
- All of the other options are correct
- **Terms of sale clause**

Which of the following indicators would best define the purchasing power of the U.S. dollar:

- Interest rates on treasury notes;
- Gold standards;
- Discount rate;
- **Price indexes.**

The price indexes is a measure of changes in the general level of prices. Three basic price indexes are used in the United States: the Consumer Price Index, the Producer Price Index, and the Implicit Price Deflator.

The position of a building on its site in relationship to its surroundings is normally referred to as its:

- Plottage;
- Topography;
- Elevation;
- **Orientation.**

Orientation Refers to a building's positioning on its site.

The buyer of a commercial property under a sale/leaseback arrangement would be least concerned with:

- The condition of the building
- The credit rating of the seller
- The location of the property in the general community
- **The depreciated book value of the building**

In a Sale-Leaseback the Seller becomes a Tenant, thus allowing the Seller to deduct all of his future rent payments as business expenditures. In a Sale-Leaseback arrangement, the Buyer should not be concerned with the Seller's Book Value.

Which of the following is not essential to the creation of an agency relationship:

- Agreement of the parties to the agency;
- Competency on the part of the principal;
- A fiduciary relationship.
- **Agreement to pay a consideration;**

Consideration is not an essential element of a agency relationship. A broker can work for free.

Which of the following does not need to be disclosed on the real property transfer discloser form?

- Fences shared with a neighbor
- CC&R's
- Recorded easements
- **Repairs that comply with building code**

Transfer Disclosure Statement is required of the seller even if sold "as is" for sale of a four unit residential building .If the TDS is amended the buyer has 3 days to rescind out of the contract. If the TDS is defective the buyer has 2 years to sue the seller. The Seller should reveal all know defects but not repairs that are up to building code on the TDS. The Licensee can never complete the Seller's portion of the TDS

Placing two or more contiguous units under common ownership for the purpose of increasing the value per unit is known as:

- Disassemblage;
- Severalty ownership;
- Terminus ownership;
- **Plottage;**

Plottage is Common ownership of two or more units to make the value of the new combined property greater than the values of each individual lot added together.

Which method would an appraiser most likely use to appraise a newly built (1 year old) apartment building:

- Capitalization approach
- Market approach
- Income approach
- **Cost approach**

Cost (replacement) approach is most appropriate for the appraisal of new property. Just think of it like this; How much would it COST to REPLACE with something brand new?

Which is true concerning an option:

- The optionee has no interest or estate in the land;
- Only the optionor is bound to a sale;
- Title acquired by exercising an option usually dates back to the time of the option and cuts off intervening rights acquired with knowledge of the existence of the option;
- **All of the other options are correct**

An Option is a contract to keep an offer to sell or lease real property open for a set period of time. The Optionor cannot revoke the offer to sell during the designated period of time. An Optionee is under no obligation to buy the property in question. [The Optionee is NOT bound by the Option.]

The prospective purchaser may withdraw the offer at any time before the seller's acceptance of an offer:

- Provided the offeree has breached the offer
- Provided the offer is not supported deposit
- Unless the offer states that is irrevocable
- **For any reason**

Buyer may cancel for any reason prior to Acceptance.

The answers to which of the following questions would be of most benefit when trying to determine the amount of economic obsolescence suffered by a commercial property?

- Can a building be operated efficiently?
- Should a stove be installed?
- Is the rental schedule of the building equitably charged to the tenants?
- **Are the tenants in the neighborhood prospering?**

Economic or social obsolescence concerns factors of the surrounding properties within the same geographic area, such as, are the tenants prospering or is it a depressed area, etc.

When a judgment is duly recorded, subsequent buyers and innocent purchasers who are ignorant of the recording have received:

- Voidable notice;
- Actual notice;
- Contingent notice.
- **Constructive notice;**

Constructive notice is a legal fiction used in the law of both common law and civil law systems to signify that a person or entity is legally presumed to have

knowledge of something, even if they have no actual knowledge of it.

It is generally recognized that as the depth of a parcel increases beyond the depth of a typical lot, what happens:

- The total value of the lot decreases.
- The front foot and square foot values decrease;
- The value of each square foot increases;
- **The value per front foot increases;**

Jones sold his residence and took back a purchase money first trust deed, which he decided to sell. To do this, he would have to find a buyer in the:

- Primary mortgage market.
- Business of arranging primary financing only.
- Real property securities business with a permit.
- **Secondary mortgage market.**

The marketplace in which existing securities (trust deeds, mortgages, land contracts) are sold is designated the "secondary mortgage market."

The tax assessment roll, showing the assessed value of property in an area, would be used to:

- Establish the tax rate.
- Equalize the taxes paid by the owners in that area.
- Determine the proportionate share paid by each property owner.
- **Establish the tax base for the community.**

The assessment roll would produce a total assessed value, which could then be divided by the anticipated cost of government to determine the tax rate. The total value becomes the tax base for the community.

Regarding a broker's duties, which of the following is true:

- The broker must have a separate trust account for each client.
- The broker must have books audited annually.
- The broker must maintain a trust account.
- **The broker must maintain sufficient and proper records on each client's deposits.**

There are no requirements that a broker maintain a trust account; there are no requirements that a broker's records be audited, though they may be. The broker does not have to have a separate account for each client's funds, but would make a separate entry in the account ledger for each transaction of funds.

Where in a standard narrative appraisal report would one likely find the type of value being estimated:

- The neighborhood analysis
- The property description
- The declaration of restrictions
- **The statement of purpose**

The type of value being estimated would be found in the statement of purpose section of the report.

A broker has a fiduciary obligation to the seller. This obligation can be compared to those that exist between:

- Trustor and trustee;
- Trustor and beneficiary;
- Mortgagor and mortgagee.
- **Trustee and beneficiary;**

When payments are not made on a loan, a trustee will sell the property in order to obtain money for the beneficiary in much the same was a broker will sell a property for a seller.

All of the following may be added to the original cost basis of a property to arrive at an adjusted basis for federal income tax purposes, except

- Cost of an improvement
- Brokerage Commission
- Random acquisition expenses
- **Mortgage payments**

Adjusted Cost Basis: an example of an adjusted cost basis would be the addition of a concrete patio on the personal residence [DO NOT factor in mortgage payments in this calculation.]

The Government National Mortgage Association (GNMA) issues pass-through securities. The phrase "pass-through" means that all interest and principal payments pass through Ginnie Mae to the investors. Ginnie Mae's role in this market is to:

- Qualify the properties that are used as security for the loans.
- Act as a go-between and verify that the transactions are documented;
- Bring sellers and buyers together;
- **Guarantee timely payment of interest on the mortgages;**

Ginnie Mae is a federal government-sponsored enterprise that issues securities backed by a pool of mortgages and guaranteed by GNMA, which passes through to investors the principal and interest payments of

An acknowledgment may be taken by a notary public who is:

- The grantee in a deed which is being acknowledged

- The mortgagee in a mortgage being acknowledged
- The grantor in a deed being acknowledged
- **An employee of a corporation who has executed an instrument being acknowledged, if he is not personally interested**

Acknowledgement is done by a notary. A notary is a public figure authorized to attest to the signing of documents, such as deeds or mortgages. The notary public certifies that he or she has witnessed the signing of the document by also signing the document and affixing his or her official seal (simply said, they are who they says they are). The Acknowledgment may be taken by a Notary Public who is an employee of the Grantors corporation, but only if the Notary Public has NO interest in the transaction.

What is a fee appraiser:

- An appraiser who works for a lending institution
- A certified appraiser who works on salary
- An appraiser that works for a federally insured lender
- **An independent appraiser who works on a fee basis**

A Fee Appraiser is a self-employed appraiser who charges a fee for each appraisal he conducts

Usury MOST nearly means:

- being capable of multiple usage.
- lending money at fluctuating interest rates.
- making loans without the benefit of co-signors.
- **illegal interest.**

Each state sets its own ceiling for the maximum interest rate lenders may charge. Rates above that ceiling are considered usurious and illegal. No reputable lender exceeds those rates and those that make a practice of it are commonly known as loan sharks.

A short-form appraisal report includes all of the following information except:

- An accurate market analysis.
- A site analysis
- Description of the site improvements
- **loans and financing terms.**

financing does not appear in any appraisal report because how you pay for the property is not relevant to the value of the property itself.

When a company furnishes materials for the construction of a house and is subsequently not paid, it may file a(n):

- lis pendens.
- estoppel certificate.
- deficiency judgment.
- **mechanic's lien.**

A mechanic's lien is the first, and usually most cost-effective, step for a person providing labor and/or materials to a homeowner to recover monies owed--in large part because of the pressure it puts on the homeowner to settle quickly and without costly court involvement.

Which of the following is not an essential to a valid deed?

- Grantor is legally competent
- It must be in writing
- A granting clause
- **It must be acknowledged**

Deeds provide evidence of the transfer of title of real property from a grantor to a grantee. Deed requires the grantor must be legally competent, it must be delivered and accepted and contain a granting or action clause. A deed does NOT need to be acknowledged to be valid.

When a deposit receipt on the sale of a house states that the property is being sold "as is," it:

- Means that nothing is warranted
- Provides that the buyer should beware
- Does not require a real estate transfer disclosure statement
- **Also requires a real estate transfer disclosure statement**

Transfer Disclosure Statement is required of the seller even if sold "as is" for sale of a four unit residential building .If the TDS is amended the buyer has 3 days to rescind out of the contract. If the TDS is defective the buyer has 2 years to sue the seller. The Seller should reveal all known defects but not repairs that are up to building code on the TDS. The Licensee can never complete the seller's portion of the TDS.

A real estate broker may have difficulty with personal property because its ownership rights and identification may be difficult to determine. This is because personal property can:

- Become real property
- Be hypothecated;
- Be alienated;
- **Be alienated, hypothecated and can become real property.**

Personal Property also known as "chattel" is that category of property that is generally movable and can be Hypothecated, Alienated and become Real Property.

The real estate commissioner would prohibit which of the following mortgage broker advertisements:

- "We loan upon verification of equity
- "We loan up to 75% of verified market value;"
- "First trust deeds available 10% APR."

- **“Call 1-800-FOR- A-LOAN;”**

It is illegal for any advertisement to suggest that a loan can be acquired over the telephone. [For example, if a Mortgage Company ran an advertisement that read “Just call us at 1-888-FOR-A-LOAN”, the advertisement would be illegal.

An owner of a parcel of real property gave his neighbor a deed conveying an easement for ingress and egress. The easement was not specifically located in the deed. The neighbor's right to use the easement is:

- Enforceable only if the easement is an easement in gross;
- Unenforceable due to the lack of a specific location;
- Unenforceable, because easements are created by written agreements, never by deed.
- **Enforceable, because the location of an easement need not be specified;**

A right held by one person to make specific, limited use of land owned by another person. An easement is granted by the owner of the property for the convenience, or ease, of the person using the property. Common easements include the right to pass across the property, the right to construct and maintain a roadway across the property, the right to construct a pipeline under the land, or a power line over the land

An estate in real property:

- Will always run on into perpetuity.
- Must only carry the right to immediate possession.
- Can come into being only through a grant.
- **May exist along with other estates in the same property.**

For example, one may hold an estate for years in a property owned by another who holds a freehold estate. Leases are created by a grant; immediate possession is not necessary to create an interest in real property; leases and periodic tenancies do not run on into perpetuity.

How should Sara handle the trust account portion of her record-keeping.

- By retaining banking records organized by fiscal year.
- By retaining all banking records for trust accounts.
- In the same form as her other business accounts for consistency.
- **In columnar form, with separate records for each beneficiary in each transaction.**

Banking records are not sufficient for maintaining trust fund records. The DRE has a specific, columnar form that must be followed with required fields of information that include the date funds were received, the form of the trust funds, the amount received, a description of the property, the person from whom the funds were received and other detailed information relevant to the transaction.

Which of the following types of depreciation would be the most difficult to cure?

- Residential Deterioration
- Functional Obsolescence
- Physical Deterioration
- **Economic Obsolescence**

Economic Obsolescence is the most difficult to cure because it is due to causes outside of the property lines thus they are usually outside of your control. Example of these would be murder, crime or increasing airport noise.

Which of the following types of tenancies refers to ownership of real property?

- tenancy at will
- tenancy at sufferance
- tenancy for years
- **tenancy in common**

As indicated above, tenancy in common is a form of ownership, while tenancy at will, at sufferance and for years are various forms of rental arrangements.

Which of the following represents the minimum time period for an exclusive right to sell listing:

- 90 days
- 6 months
- 45 days
- **Whatever is agreed upon by the seller and the broker**

A standard listing in California is set for 6 months, sometimes you see 90 day listings. However that is just industry standard, that is not the law, the law says that a listing can be whatever is agreed upon between the seller and the broker.

Apartment houses in an area were selling for \$100,000 and a buyer offered \$100,000 for an apartment building. The buyer is operating on the principle of:

- highest and best use.
- conformity.
- increasing returns.
- **substitution.**

An appraisal principle, "substitution" holds that the maximum value of a property is that price for which a comparable, equally desirable property can be purchased in a timely manner. For example, if two 4-bedroom homes with equal features, age, condition, lot size and desirability are on the market at the same time, buyers would not pay \$250,000 for one when the other is available for \$240,000. However, if the \$240,000 is on the market now, but the owner wants to delay closing for six months while the other is available for immediate occupancy, there may well be buyers willing to pay the premium.

A trust deed can have a provision that allows future loans on the property to have priority. This would be called:

- An acceleration clause

- A release clause
- An assignment clause
- **A subordination clause**

A clause which permits the placing of a mortgage at a later date which takes priority over an existing mortgage.

Using which of the following would require the value of the land to be calculated separately from the value of the improvements?

- the income capitalization approach
- the sales comparison approach
- the gross rent multiplier
- **the cost approach**

The land is figured as a separate item because it already exists and wouldn't have to be reconstructed.

In a real estate purchase contract, the liquidated damages clause is initialed and the buyer defaults. The deposit will be:

- No more than 3% of the selling price or the amount of the deposit, whichever is less
- Used to pay any escrow expenses and the balance returned to the buyer
- Used to pay any costs incurred and then returned to the buyer.
- **Divided equally between the seller and the listing agent**

If a buyer defaults and the liquidated damages clause is initialed, the deposit will be divided equally between the seller and the listing agent after expenses are paid. However, the listing agent will never get more than his agreed-upon commission

What institution is the source of home loans?

- Mortgage bankers
- Individuals
- Insurance companies
- **Saving and Loan Associations**

Savings & Loan Associates is the biggest source for home loans and/or residential financing. They have the most funds invested in real estate.

Your neighbors use your driveway to reach their garage on their property. Your attorney explains that the ownership of the neighbors' real estate includes an easement appurtenant giving them the driveway right. Your property is the:

- Leasehold interest.
- Dominant tenement.
- License property.
- **Servient tenement.**

The servient tenement suffers or has the burden of an easement. For example, a beachfront house that has a public walkway to the beach is a servient tenement. The beneficiary of the easement is called a dominant tenement.

Which of the following would be an example of "boot," for income tax purposes:

- A decrease in real estate property taxes;
- An increase in deductible depreciation.
- A decrease in basis;
- **Debt relief from a mortgage in the exchange;**

Boot refers to cash, or other dissimilar property that is utilized to balance out the equities of the properties being exchanged. [Receipt of Boot may result in a Recognized Gain.]

Which of the following would be a responsibility of the planning commission

- Districts
- Seismic safety
- Local improvements
- **Zoning**

Planning Commission responsible for the Zoning of all real properties in the locality.

Which of the following would alienate title to property:

- Clouding the title
- Recording a homestead
- Securing an ALTA policy of title insurance
- **Conveying title**

Conveying the title will alienate the title to property.

A buyer's interest in real property, acquired at the moment the seller and the buyer enter into a sales contract, is known as:

- fee simple determinable
- an option to purchase
- legal title
- **equitable title**

Equitable title is the present right to possession with the right to acquire legal title once a preceding condition has been met.

Which of the following types of misrepresentations occur least often in the practice of real estate:

- Negligent misrepresentations;

- Fraudulent misrepresentations;
- Innocent misrepresentations;
- **Malicious misrepresentations.**

Malice is a legal term referring to a party's intention to do injury to another party. Malice is either expressed or implied. Express malice occurs when a party only gives notice of the intention to commit a crime. Implied malice occurs when, in the course of nefarious or unlawful doings, a party causes the death of another party or does harm to another. Malice, in a legal sense, may be inferred from various evidence, depending on the nature of the case.

On December 29, 1987 Rambo offered to buy Alicia's home. The offer was accepted and escrow opened. Alicia had purchased the home in 1984 using an FHA loan to finance it, which she was still making payments on. A preliminary title report dated December 29, 1987 will:

- Show title vested in Rambo
- Bind the title company for insurance in an amount equal to the purchase price;
- Include exactly the same information as a future standard policy of title insurance issued on the close of escrow
- **Show the particulars of a deed of trust with Alicia as Trustor;**

Preliminary Title Report should show the seller is the trustor of the property and should show if there are mechanics liens that need to be removed. For example if the former owner did not pay the painter the new owner would request that they be paid before transferring title, they would be requesting that the mechanics lien be removed on the property

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:

- Forms for applying for the homeowner's exemption
- A bill of sale
- An application for private mortgage insurance
- **A good faith estimate**

The Lender must furnish a good faith estimate of the closing costs prior to the close of escrow.

A fee estate is:

- A leasehold estate
- A estate for years
- A less-than-freehold estate
- **An estate of inheritance**

Fee Simple Estate: Also referred to as an "Estate of Inheritance", a Fee Simple Estate is one type of Freehold Estate, and as such, is indefinite in duration. A Fee Simple Estate can also be sold or inherited, and is not free of Encumbrances. A Fee Simple Absolute is the most interest that one can hold in land.

Undue influence or duress applied to one party to a contract makes the contract:

- void.
- invalid.
- unenforceable.
- **voidable.**

Because all parties must enter a contract willingly and believe that doing so is in their best interests, attempts to influence an unwilling or reluctant participation can render the contract void. The court must be petitioned and agree before the contract becomes void.

A "real estate appraisal" is an estimate of value:

- Derived from income data covering at least the preceding six months.
- Based upon replacement costs.
- Derived from average tax assessments covering the past five years.
- **Based upon analysis of fact as of a specific date.**

The appraiser bases his appraisal on facts obtained from his survey and the result is his estimate as of a specific date. He cannot be expected to foresee what will happen tomorrow or in the future with regard to the value.

The fiduciary obligation to protect a client's confidential information continues:

- Only while escrow is opened
- For the term of the listing agreement
- For three years after escrow closes
- **After the term of the listing agreement**

Much like a Doctor or a Lawyer a licensee has a duty to protect a Client's Confidential Information that continues even after a Listing has expired.

The owner of a single lot is trying to show that exceptional circumstances concerning an intended use of the property are applicable to his property. The owner is also trying to show that the exception is not detrimental to the public. The owner would probably petition the planning commission for:

- A permit
- A novation
- Re-Zoning
- **A variance**

A Petition for Variance is a method by which a landowner can try to show that unique circumstances exist and that his land should be allowed an exception to present zoning laws. Variance is done lot by lot.

Which of the following is a lease that will provide for the continuation of the tenant's rights in the event of a foreclosure?

- A novation

- An interim occupancy agreement
- A lis pendens
- **An attornment agreement**

An attornment agreement is a lease provides for the continuation of the tenant's rights in the event of a foreclosure.

Lenders know that the lower the loan-to-value ratio, the higher the:

- Amount loaned
- Probability of default
- Appraised value
- **Equity**

Loan-to-Value Ratio is a ratio of the percentage of the appraised value of a property that a lender will loan. The lower the Ratio, the Higher the Equity.

When a broker hires a salesperson under a valid independent contractor agreement, which of the following is correct:

- Broker must pay State Unemployment Insurance premiums for the salesperson.
- Broker may set the salesperson's office hours and assign floor time;
- Any unlicensed assistant of the salesperson must be an employee of the broker;
- **Broker may be held liable for the salesperson's conduct in a real estate transaction;**

A Broker must oversee the work of any Salesperson(s) even if the Salespersons acts as a independent contractor. A Broker must assume a supervisory role over these individuals, because the Broker is still liable for a Salesperson's conduct. The broker must pay Workers Compensation insurance

An appraiser who does not use proper methods in order to influence a federally related insured lender may be guilty of:

- Acting unethically
- Violating the rules of the DRE
- A misdemeanor
- **A felony**

The Appraiser must utilize proper and accepted methodology with respect to property backed by a government loan in conducting his appraisal or he will be guilty of a felony.

A kiosk is the term used to identify:

- a deck
- an center piece in a kitchen
- a loading dock
- **an information booth at a mall**

a Kiosk is a stand-alone information booth a shopping area or mall.

When a property was being sold under a land contract and an earthquake damages the buildings, who is responsible for the payments?

- Vendor
- Trustee
- Trustor
- **Vendee**

In a Conditional installment sales contract (Land Contracts) the Vendor (Seller) becomes a Lender to the Vendee (Buyer). The Vendee gets to use the property (equitable title) as the seller retains legal title of land as a security device (the right to sell). In the event of a default by the Vendee (Buyer) in a Conditionals installment sales contract, the resulting Cloud on Title could be cleared if the Vendee (Buyer) has signed a Quitclaim Deed. When a property is being sold under a land contract, the vendee is still responsible for the payments even if an earthquake damages the buildings.

In which of the following contracts does one of the parties agree not to revoke an offer for a certain period of time:

- An ratification
- Estate for years
- An Listing Contract
- **An Option**

An Option is a contract to keep an Offer to sell or lease real property open for a set period of time. The Optionor cannot revoke the offer to sell during the designated period of time. An Optionee is under no obligation to buy the property in question. [The Optionee is NOT bound by the Option.]

The broker who most qualifies for a commission is the one who:

- Received the acceptance of an offer
- Received the offer from the buyer
- Gave the offer to the seller
- **Communicated the acceptance to the buyer**

A broker who has earned there commission has communicated acceptance to the Buyer.

If a deed has a restrictive covenant which prohibits the sale of the property to persons of a particular race, that covenant will:

- Invalidate the conveyance
- Provide the grantee the power to void the conveyance
- Provide the grantor the power to enforce the covenant
- **Have no effect on the conveyance, but the covenant will be unenforceable**

Racial deed restrictions are unenforceable even though the majority of the homeowners might want them, because they violate the U.S. Constitution. They have no effect on the conveyance.

Which of the following would alienate title to property:

- Clouding the title
- Recording a homestead.
- Securing an ALTA policy of title insurance
- **Conveying title.**

Conveying the title will alienate the title to property.

When a tenant is responsible for paying the property taxes, the lease is most likely a:

- Percentage Lease
- Gross lease
- Sandwich lease
- **Net lease**

In a Net lease under which the tenant agrees to pay, in addition to the rent, expenses such as taxes, insurance, maintenance and other costs of the leased property.

Concerning the second installment of real property taxes in California, the due date and delinquent date are respectively:

- January 1 and March 10.
- July 1 and November 1;
- November 1 and December 10;
- **February 1 and April 10;**

The First Installment is due November 1st, and is delinquent December 10th.

"Of indefinite duration" is a characteristic which is particularly descriptive of an:

- Estate for years;
- Estate less-than-freehold.
- Estate from period-to-period
- **Estate of inheritance;**

Fee Simple Estate: Also referred to as an "Estate of Inheritance", a Fee Simple Estate is one type of Freehold Estate, and as such, is indefinite in duration. A Fee Simple Estate can also be sold or inherited, and is not free of Encumbrances. A Fee Simple Absolute is the most interest that one can hold in land.

Private restrictions on real property can be written either as a condition or a covenant. Which of the following is most correct concerning such restrictions?

- Violation of covenants can result in penalties which are more severe, and can result in loss of money only
- Violations of such penalties are a criminal offense
- They become public restrictions upon recording
- **Violation of a condition can result in penalties which are more severe, and can result in loss of title**

When private restrictions take the form of conditions in written agreements, any breach of such conditions can result in more severe penalties than if they were in the form of a covenant. Often it results in a loss of title, such as in fees simple defeasible estate.

Which of the following is NOT necessary for acquiring title to a property by adverse possession?

- A claim of right.
- "Open and notorious use."
- Occupying the property for at least five years.
- **Residing on the property.**

Occupancy and residency are not necessarily the same thing. A "claim of right" or "color of title" means that the occupier must have some evidence, though not a clear title, that he or she has a right to the property.

Mrs. Jones, an appraiser, is appraising a single family residence. She has located six closely comparable properties that have all sold within the past six months. The subject property is rented for \$500 per month. It is a custom-built home, approximately three years old. Mrs. Jones would probably give the most weight in her final estimate of value to which of the following appraisal methods?

- cost approach
- gross rent multiplier
- income approach
- **market data approach**

Market data would be used because it is the most reliable indicator of a home's true value. Since the property is a single family residence not a multi-unit investment property, the fact that it is rented, as well as the amount of rent, is irrelevant to the calculations.

The maximum amount of his personal funds a broker can have in the trust account is:

- \$300
- \$400
- \$100
- **\$200**

Trust Fund Account is usually a separate checking account is used to separate a Client's money from the Broker's money, although a Trust Fund Account can hold up to \$200 of a Broker's money without issue. Any employee who is authorized by the broker can withdraw monies from the trust fund account. That authorization does not have to be in writing.

What is the maximum time to file a mechanic's lien after completion of the work?

- 120 days
- 30 days
- 60 days
- **90 days**

A Mechanics Lien is a hold on real property for the benefit of someone who worked on the property. The maximum time to file a mechanic's lien 90 days after completion of the work

Incorrect answer!

A piece of lumber 6" by 12" by 2" :

- Contains exactly two board feet
- Contains exactly one half of a board foot
- Contains exactly three board feet
- **Contains exactly one board foot**

A flood hazard is classified as frequent when flooding occurs, on average, more than:

- Three times in a 10 year period
- Ten times in a 10 year period
- Seven times in a 10 year period
- **Once in a 10 year period**

Flood hazard is the potential risk to life and limb and potential damage to property resulting from flooding. The degree of flood hazard varies with circumstances across the full range of floods.

A flood hazard is classified as frequent when flooding occurs, on average, more than:

- Three times in a 10 year period
- Ten times in a 10 year period
- Seven times in a 10 year period
- **Once in a 10 year period**

Flood hazard is the potential risk to life and limb and potential damage to property resulting from flooding. The degree of flood hazard varies with circumstances across the full range of floods.

In a Listing which clause will allow a Broker to collect a commission for a specified period of time after the term of the Listing has expired?

- Delay pay clause
- Acceleration Clause
- Release clause
- **Protection Period Clause**

A Protection Period Clause (safety clause) in a Listing will allow a Broker to collect a commission for a specified period of time after the term of the Listing has expired. It is a designated period of time to close deals with prospects that the licensee has been working with during the term of the listing. This is not a time to find a new prospect. They must put the name of the prospects in writing at the end of the listing period in order to earn a commission during the protection period clause

In a typical Exclusive Right To Sell Listing Agreement, there is a clause stating that if the listing period expires and a buyer that was shown the property during the term of the listing becomes the purchaser, the broker is entitled to compensation. If the property is listed by another broker this clause is inoperative. This clause is known as the:

- the buyer.
- automatic extension clause.
- time is of the essence clause.
- **broker protection clause.**

This practice recognizes that a broker's first function is to "bring buyers and sellers together" and allows for the possibility of a bonafide commission to the broker for bringing in a qualified buyer--during the listing period--who later becomes the purchaser. Stay away from any answer that implies that any "extension" is "automatic." If you see this answer appear in a question on your Exam, eliminate it!

Mortgage insurance on an FHA loan:

- Is an expenses that is born by the lender
- Pays the borrower the loan balance in the event of a fire loss
- Protects the lender in the event of the trustor's death
- **Protects the lender against any deficiency in the event of a default**

Federal Housing Administration (FHA) insures Lenders against loss in the event of a default. FHA loan might approve a loan to buy 1-4 units of residential property to be used for rental purposes. To get an FHA loan you go to institutions that are authorized to deal with the FHA, there is no FHA office. Private insurers can insure loans when the borrower does not qualify for the FHA loan.

Under the Alquist-Priolo Special Studies Act, a subdivider would be required to disclose to potential purchasers:

- Toxic waste sites
- Flood Hazard zones
- Water quality reports

- **Earthquake fault lines**

Aliquist-Priolo Act Designates Special Studies Zones that are ¼ mile wide along earthquake fault lines.