

## Quiz 13

1. Laches is best described as:

- A Inexcusable delay in asserting a legal right;
- B Lis pendens;
- C An attachment;
- D A deficiency judgment.

This is a definition of laches.

2. An agent has as much authority as:

- A Third parties dealing with him believe he has, even though he has restricted authority;
- B The principal actually or ostensibly confers upon him;
- C He chooses to accept, except when involved with persons who have actual or constructive notice of restrictions upon his authority;
- D He chooses to accept or believes he possesses under a contract.

The agent's authority is that which the principal confers upon him, either in actuality, or which he knows the agent is claiming and does not deny.

3. When dealing with the public, a broker may not:

- A Delegate any of his duties to other people;
- B Reject a listing on real property in the area in which he is active;
- C Remain silent concerning material facts about a property known only to himself;
- D Do any of the above.

The broker may delegate his duty to another agent, may decline a listing for a variety of reasons, but may not remain silent concerning material facts.

4. A real estate licensee generally acts:

- A By ratification;
- B As an ostensible agent;
- C In a dual agency;
- D As a fiduciary.

A real estate licensee is usually an agent and, as such, has a fiduciary relationship with his client.

5. Which of the following is not a fiduciary relationship:

- A Listing broker to seller;
- B Attorney in fact to principal;
- C Attorney to client;
- D Trustor to beneficiary.

The other relationships are ones of trust and loyalty.

6. Broker Freeman has received a \$3,000 cash deposit on a \$25,000 sale which is scheduled to close escrow in about a week. The seller has agreed to pay the broker \$500 Commission upon the close of the transaction. It is legal for the broker to:

- A Place \$2,500 in escrow and retain \$500 as her commission;
- B Place \$2,500 in escrow and divide the remaining \$500 with the salesperson involved;
- C Place the entire \$3,000 in escrow;
- D Place \$3,000 in escrow, with instructions to the escrow agent to immediately remit the \$500 commission to the broker.

The deposit is not the broker's money. The commission is to be paid at the close of escrow. The deposit must be deposited in escrow, and the broker must wait for the commission.

7. Whenever a broker is authorized to negotiate for the sale of property:

- A He is always authorized to accept a deposit as agent of the seller;
- B Unless he is authorized by the seller to accept a deposit, he must refuse to be responsible for accepting a deposit from the buyer;
- C If he accepts a deposit from the buyer without being authorized to do so by the seller, he violates the Real Estate Law;
- D If he accepts a deposit from the buyer without being authorized to do so by the seller, he becomes the agent of the buyer for the purpose of holding the deposit.

You will note on the line following the listed price in the standard form the printed phrase, "and to accept a deposit thereon." This could be deleted by a seller, in which event, the broker would have no authority to accept a deposit as his agent. If, under these circumstances, a broker receives an offer from a buyer together with a deposit, he would hold the deposit as the agent of the buyer.

8. The purchase contract between a buyer and seller resulted in a disagreement between them about the refund of the deposit, which the broker had placed into his trust fund account. Since the broker was unable to resolve this disagreement, he deposited the money with a court, and relinquished any claim to the deposit, thereby forcing the parties to settle the matter without involving the broker. This act is called:

- A An assignment;
- B The principle of subsidiary equity;
- C An interpleader action;
- D A condition subsequent.

The broker, caught between the competing claims of buyer and seller, turns the matter and the money over to the court. The technical name for such a process is "Interpleader" action.

9. A broker, to collect his commission, must allege and prove all of the following, except:

- A He acted in agency;
- B He was licensed by the Commissioner;
- C In an exclusive right to sell listing, he introduced the buyer and seller;
- D In a net listing, he investigated the deal.

Under an exclusive right to sell listing, the broker does not have to prove that he was the "procuring cause." If the property is sold before the termination date, he has a right to his commission.

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

- A Gave the offer to the seller;
- B Received the offer from the buyer;
- C Received the acceptance of an offer;
- D Communicated the acceptance to the buyer.

The standard form of deposit receipt states that unless the acceptance is delivered to the buyer, there is no contract.

11. An out-of-state broker refers a buyer to a California real estate broker, and a sale is consummated. If the California Broker wished to split the commission with the out-of-state broker:

- A He may;
- B Under California law, he may not divide the commission with an out-of-state broker;
- C He can divide the commission only if the other broker is licensed as a broker in California;
- D None of these.

This is permissible.

12. A real estate broker negotiated the exchange of real property and represented both parties with their knowledge and consent. The principals agreed that the broker's commission would be a 30-acre parcel of land valued by an independent appraiser at \$200 an acre. Two days after escrow closed, the broker received an offer of \$500 an acre for that land from a person with whom the broker had not previously dealt. The broker sold the land for \$15,000. Under these circumstances, the broker has:

- A Engaged in dishonest dealings;
- B Received a secret profit;
- C Failed to disclose material facts to the buyer of the land;
- D Apparently violated no moral or legal duty.

According to this story, the broker did not mislead or misrepresent facts to either of the parties involved in the exchange of the property. Since he has no agency relationship with the buyer of the land, he is under no obligation to look out for his best interest. If the only facts known are those which are told, then the broker has not violated any laws or violated any moral duties.

13. A homeowner may use an open listing and employ several brokers who:

- A Will equally share the commission if any of them sell the property;
- B Will equally share the commission if the owner sells the property;
- C Will have an opportunity to earn the entire commission;
- D Each has the option to purchase the property within the time limit of the listing.

In an open listing, the owner pays the entire commission to the broker who is the procuring cause of the sale.

14. Assume that a broker had assured an owner that he was signing an exclusive agency listing, when, in fact, he was signing an exclusive right to sell. Which of the following is true;

- A The broker would receive a larger commission;
- B The owner should know what he is signing;

- C The broker would be subject to disciplinary action because he misrepresented a material fact;
- D If the owner sold the property during the listing period, he would owe the broker his commission.

There is a very important difference between the two contracts. Under the exclusive agency listing, the owner would have the right to sell the property himself without being obligated to pay the broker any commission. Under the exclusive right to sell listing, he would not have that right. Since the broker misrepresented, he can expect to have his license suspended or revoked.

15. With regard to listings, it is your understanding that:

- A A net listing is illegal in California;
- B Failure of a wife to sign a listing on community property makes it impossible for a broker to collect a commission from community funds;
- C An exclusive listing must be for a period of at least 30 days;
- D An exclusive listing may be for a period of only 24 hours.

The Real Estate Law requires that exclusive listings have a date of completion and final termination, but does not specify how long or short the listing period may be.

16. Broker Daniel has an exclusive agency listing to sell a \$65,000 home for Owner Jones. Before the listing expires, the home was sold through Jones' own efforts to a friend, and Daniel was refused payment of any commission. Daniel is legally entitled to receive from Jones:

- A No commission;
- B One-half of a commission;
- C All expenses that he incurred when advertising the property;
- D A full commission.

In an exclusive agency listing, the owner retains the right to sell it himself without being obligated to pay the broker a commission.

17. A broker was hired by a listing contract which expressly authorized him to accept a deposit. After he received an offer and a deposit, and prior to acceptance of the offer by the seller, the broker misappropriated the deposit money. Under these circumstances, the risk of loss would be:

- A On the buyer because he was able to prevent the misappropriation by making the check payable to escrow or to the seller;
- B On the seller because the broker acts as his agent with specific authority to receive deposits;
- C On the buyer because the broker was his agent for the act of taking the deposit to the seller;
- D Equally on both the buyer and seller since neither is at fault concerning this loss.

Since the listing authorized the broker to receive a deposit, he is the seller's agent in handling that deposit, and the seller would be liable if the deposit were lost or misappropriated.

18. In order for a broker to be entitled to a commission, he must prove that he was the procuring cause when using all of the following types of listings except:

- A Open exclusive;
- B Exclusive right to sell;
- C Exclusive agency;

D Exclusive agency net.

A broker would not have to prove that he was the procuring cause when using an exclusive right to sell listing. If the property is sold by anyone during the term of the listing, the listing broker is entitled to a commission.

19. A broker has the right to collect a commission to the exclusion of all others, except the owner, in which of the following;

- A Exclusive agency listing;
- B Open listing;
- C Exclusive right to sell listing;
- D Net listing.

An exclusive agency listing reserves the right for the seller to secure his own buyer and not be obligated to pay an agent a commission

20. A contract which authorizes a real estate agent to sell a property during a specified time and allows that person to collect a commission if the sale is made by anyone, including the owner, is:

- A An exclusive agency listing;
- B An exclusive right to sell listing;
- C An open listing;
- D a net listing.

With an exclusive right to sell listing, the agent receives a commission if the property is sold by anyone during a specified period of time.

21. 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;

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

A "protection period" clause in a listing gives the broker the right to collect a commission, if a customer buys the property during a specified period after the listing terminates. The broker must have introduced the customer to the property during the listing period.

22. When rent is computed on the gross sales of a business occupying real property, the lease is correctly termed:

- A A net lease;
- B A gross lease;
- C A voidable lease;
- D A percentage lease.

In a percentage lease, the rent is tied to a percentage of the gross receipts of a business.

23. If a man has a freehold estate, which of the following would result in his having a less-than-freehold estate:

- A Sale and leaseback;
- B Selling the mineral rights to a third party;
- C Giving a leasehold interest for 5 years;
- D Granting a life estate.

A less-than-freehold estate is a landlord/tenant arrangement. Of the choices offered, only a sale-leaseback would result in a less-than-freehold estate.

24. If a man leased a store for only six months, he would have an:

- A Estate from period to period;
- B Estate for years;
- C Estate at will;
- D Estate at sufferance.

In an estate for years the tenant has the use of the property for a specified period of time which may be days, weeks, months or years.

25. An easement differs from a license in that a license:

- A Must be created by written instrument;
- B Is of indefinite duration;
- C May be assigned;
- D May be revoked.

A license is the personal, revocable, non-assignable permission to do some act on the land of another. A ticket to a sports event is a license.

#### Quiz 14

1. According to the regulations of the real estate commissioner, the broker must have a signed employment agreement with each of his salespersons. According to those regulations, a copy of the agreement must be kept by both parties for:

- A One year from date of termination;
- B Two years from date of termination;
- C Three years from date of termination;
- D Five years from date of termination.

Copies of the salesperson employment agreement must be kept for three years from date of termination.

2. The legitimacy of zoning laws rests upon:

- A The fact that planning boards are local, and thus close to the people they regulate;
- B The established right of police power of government;
- C The ease of enforcing them;
- D The fact that their enforcement does not interfere with interstate commerce.

Zoning laws have been held by the courts to be a valid exercise of the police power of the city or county.

3. Which of the following statements about real estate financing is incorrect:

- A Discounting a note indicates that it is being sold at less than the face value, or amount still owing on the principal;
- B A promissory note is security for a mortgage;
- C Although a mortgage does not transfer legal title to property, it is still considered a lien;
- D The owner of a property who borrows money and signs a mortgage is called a mortgagor.

The mortgage is security for the promissory note; but the reverse is not true. Each of the other statements is correct.

4. If a lender accepts a deed in lieu of foreclosure from a trustor, the lender:

- A Must also receive a power of sale from the trustor;
- B Will own the property free and clear of any other loans;
- C Must go to court and get a deficiency judgment;
- D Will assume any junior liens.

If a lender accepts a deed from the borrower in lieu of foreclosure, other liens on the property would stay on the property, and therefore, the lender must assume them. If the property is sold at a trustee's sale, junior liens are cut off.

5. Able made full payment on a note secured by a deed of trust on his property, and he demanded that the beneficiary clear the records. The beneficiary must move for a reconveyance:

- A Within a reasonable time;
- B If the trustee does not do so;
- C Immediately;
- D Within 30 days.

If a beneficiary refuses to execute a request for a full reconveyance for a period of 30 days, he is liable for damages and a penalty of \$300.

6. Betty is beneficiary of a \$15,000 deed of trust on a single-family home located in Long Beach, California. Trustor Milo made \$2,000 in payments, then defaulted. At a trustee's sale, the property sold for \$10,000, resulting in a \$3,000 deficiency. In California, a deficiency judgment cannot be obtained:

- A If the security is a purchase-money trust deed;
- B If remedy of trustee's sale is used;
- C If fair market value of the property exceeds the amount due on the trust deed;
- D In any of the above situations.

Statement of fact.

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

- A In creased principal payments;
- B A reduced term of the loan;
- C Negative amortization;
- D A greater down payment.

Negative amortization means that the amount of principal is increasing. If the payments do not pay all of the interest the amount of the unpaid interest will be added to the principal.

8. Broker Jones, who is not a member of any trade organization, has been using a new advertising slogan: "A new breed of Realtor." Concerning this practice:

- A It is grounds for revocation or suspension of his real estate license;
- B It is permissible, providing the word "realtor" is not capitalized;
- C It is acceptable as long as he is not licensed in more than one state;
- D It is a violation of the Fair Housing Laws.

Anyone who is not a member of the National Association of Realtors cannot use the term "Realtor".

9. In making new real estate loans, institutional lenders often charge a fee for expenses incurred for such items as document preparation and related work. The fee charged is often a percentage of the face amount of the loan, and is referred to on the borrower's closing statement as a:

- A Prepayment fee;
- B Mortgage loan broker's fee;
- C Loan discount fee;
- D Loan origination fee.

Costs involved in the origination of the loan are often passed on to the borrower by charging a loan origination fee. It is usually a separate fee and not regarded as a discount fee or mortgage loan broker's fee. There is usually no prepayment fee when the loan is originated.

10. Which of the following notices could be important to the filling of a mechanic's lien:

- A Notice of non-responsibility;
- B Notice of cessation;
- C Notice of completion;
- D All of the above.

These three documents are all related to a mechanic's lien and could affect the validity of such a lien.

11. How many years is an attachment lien good for:

- A 1 year;
- B 2 years;
- C 3 years;
- D 4 years.

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

12. A homestead recorded under California law may be invalidated by:

- A Moving to another state;
- B Moving from the property;
- C Destruction of the home by fire;
- D A prior homestead on another property.

A person can homestead only one property at a time. Destroying the home and building does not abandon the homestead.

13. In California the use of an abstract of title has been superseded almost entirely by the:

- A Title guarantee;
- B Certificate of title;
- C Trust deed;
- D Policy of title insurance.

An abstract of title is a summary of conveyances and other facts that relate to the property's title. The policy of title insurance insures that the property owner will not suffer the loss if the title is imperfect.

14. A title insurance company official would know that an "abstract of title clause" is a:

- A Standard form that is used in the industry;
- B Closing statement from the title insurance company;
- C Written summary of documents relating to the title of the property;
- D Clause that describes the land.

An abstract of title is a summary of the condition of the title.

15. A real estate salesperson's license has been suspended because money was paid out of the Recovery Account to a person who had a judgment against the salesperson. His license will not be reinstated until he:

- A Pays the person any amount not paid by the Recovery Account;
- B Pays the Recovery Account for half of the money plus interest;
- C Pays the Recovery Account and the person all money due plus interest.
- D None of the above

The licensee must reimburse the Recovery Account for all of the money it paid out plus interest before the license can be reinstated.

16. A person delegated in an instrument to act legally for another, in his stead, is known as which of the following:

- A Fiduciary;
- B Principal;
- C Attorney in fact;
- D Power of attorney.

This is a definition of an attorney-in-fact. Fiduciary refers to a relationship of trust established between people. A principal is one who appoints an agent.

17. If the owner of an apartment building does not reside on the premises, he is required to have a resident manager or responsible person on the premises where the number of units is:

- A 2 or more;
- B 4 or more;

- C 8 or more;
- D 16 or more.

California law requires the owner, a resident property manager, or some other responsible person, to live on the premises if there are 16 or more units.

18. Of the following situations, which would be exempt from the discrimination in housing provisions of the government:

- A The sale of an owner-occupied single-family home that is unencumbered;
- B The leasing of a dwelling unit in an owner-occupied four-plex that is unencumbered;
- C The leasing of a room to one person in an owner-occupied single-family home that is unencumbered;
- D All of the above.

The discrimination in housing provisions of the government specify that the renting or leasing to a roomer or a boarder in a single-family house that is unencumbered, provided that no more than one roomer or boarder is to live within the household, is exempt from the application of discrimination laws.

19. When the public records have been examined in order to determine the chain of title to a parcel of real property, a written summary of that chain of title is known as:

- A An abstract of title;
- B An extended coverage title insurance policy;
- C An affidavit of title;
- D None of the above.

An abstract is a summary or digest of information; hence, the summary concerning the chain of title is known as an abstract of title.

20. When budgeting for a real estate office, the phrase "company dollar" means:

- A The money required to establish an office and run it for a given period of time;
- B The income of an office after all expenses are subtracted;
- C The income of an office after all commissions are subtracted;
- D None of the above.

The "company dollar" refers to the amount left over after all commissions are subtracted.

21. A broker advertises the sale of "Mega Bucks Trust Deeds" in a newspaper. In the advertisement he offers a specific yield which he arrives at by looking at his yield for the past year. Which of the following is true concerning this advertisement:

- A This is illegal according to the Truth-in-Advertising law;
- B It is legal if the Department of Real Estate has confirmed the yield that is stated;
- C It is legal if he also gives the actual interest rate specified in the note and the discount from the outstanding principal balance;
- D There is no law covering this subject.

The Real Estate Law states that this is permissible if the advertisement also states the interest rate stated in the note and the amount of discount.

22. Although a title insurance policy does cover the risk of loss for many reasons, which of the following risks would not be so covered:

- A Loss due to the failure of a wife to sign the deed on community property;
- B An unpaid county property tax not shown in the policy;
- C Lack of capacity of a former seller;
- D A zoning ordinance, regulation, or plan.

Title insurance does not normally cover governmental regulations, such as zoning matters.

23. Which of the following would be defined as a fixture in the law:

- A. Something that is made part of a chattel real;
- B. Something referred to by actions but not referred to in the sales contract;
- C. Something incorporated into the land;
- D. Something used in an extraordinary way with the land.

A fixture is something which is attached to the land or other real property and which thus becomes real property.

24. A prudent investor, to hedge against the erosion of capital caused by inflation, would logically place funds in:

- A Government bonds;
- B Equity interests;
- C Trust deeds and mortgages;
- D Saving accounts.

Due to the susceptibility of the loss of value of the dollar due to high inflation, it is wise for the investor to keep his money in an equity interest investment.

25. Any citizen injured by discrimination in housing practices may, under the Civil Rights Act of 1968:

- A File a private action in a state or federal court for injunctive relief or actual damage;
- B File criminal charges in federal court;
- C File criminal charges with local law enforcement authorities;
- D Bring a civil action in a state superior court for specific performance.

The Civil Rights Act of 1968 is federal law which provides for remedies as stated in the correct choice.

#### Quiz 15

1. The Health and Safety Code of the state of California contains a statement which opposes the practice of discrimination due to race, color, religion, national origin, or ancestry in publicly-assisted housing accommodations. Property considered to be included in the term "publicly-assisted housing" would be:

- A Housing Granted tax exemptions, except for the veteran's exemption;
- B Housing built on land sold at low cost by a state or local agency pursuant to the Federal Housing Act of 1949;
- C Housing located in a multiple dwelling on which there is a loan insured by a government agency;
- D Any of the above.

Publicly assisted housing accommodations include all three of these examples.

2. Carter needed \$2,000 to buy a car. Broker Denton negotiated the loan for him. Carter gave the lender his note for \$2,400 secured by a second deed of trust against his home. The note was payable \$77 per month including 10% interest per annum over a three-year term. Carter signed a broker's loan statement showing that he would receive an estimated \$1,980 from the completed transaction. The total principal amount which Carter must pay to the lender is:

- A \$1,980;
- B \$2,200;
- C \$2,400;
- D \$2,772.

This is the principal amount of the note which Carter signed and, therefore, the amount which Carter must pay to the lender.

3. When a licensee negotiates a loan secured by real property, the licensee must deliver a mortgage loan disclosure statement to the borrower:

- A Within 3 days of the time the borrower signs it;
- B When it is signed by the borrower;
- C Within 24 hours of the time the borrower signs it;
- D When escrow closes.

According to the real estate law, any real estate licensee who negotiates a loan secured by real property must give a disclosure statement to the borrower at the time that the borrower signs the disclosure statement indicating that he has received it.

4. If a real estate licensee was trying to persuade people to list or to sell their property by telling them that members of another ethnic group were moving into their neighborhood, and it would be to their advantage to list or to sell, it would be an example of all of the following, except:

- A Blockbusting;
- B Panic selling;
- C Illegal conduct;
- D Legitimate conduct.

The activities described in the question are called blockbusting or panic selling and are definitely illegal.

5. "The measure of goods and services produced by the nation during any one calendar year" is the definition of which of the following:

- A National economic conditions;
- B Gross national product;
- C Cost of living index;
- D Business cycle.

This is a definition of gross national product as used by the federal government.

6. The available supply of real estate loan funds tends to be increased by all of the following, except:

- A A rise in the national income;
- B An increased in savings by individuals;
- C An increased demand for a more liquid type of assets;
- D An increased desire to provide for old age.

Real estate loans are not a very liquid type of asset. Therefore, the available supply of loan funds is increased by the other three items, but not by an increased demand for a more liquid type of asset.

7. Which of the following types of lenders would have the greatest percentage of, and the most funds invested in, real estate mortgages:

- A Savings and loan associations;
- B commercial banks;
- C Life insurance companies;
- D Mutual savings banks.

Savings and loan associations place a greater percentage of their funds into real estate loans. These loans, namely, are in the single-family dwelling area. As to life insurance companies, they prefer long-term, higher-valued commercial properties. Commercial banks, due to the liquidity requirements, prefer short-term loans such as construction loans, although here too, funds are available for the home loan market.

8. Which of the following defines the term "equity":

- A The owner's interest in real property, over and above all liens against it;
- B the difference between the loan amount and the value or price of the property;
- C The initial down payment on the property;
- D Any of the above.

Equity can be used to describe any of the answers.

9. Which of the following would usually be true concerning a hard money second trust deed:

- A It always has lower than normal rates;
- B It is secured by real estate and given to a third party to obtain a cash loan;
- C It is carried back by a conventional lender;
- D It is always repayable in three years.

Since it is a hard money loan it provides cash for the borrower and would not be carried back by seller. Since it is a trust deed it is secured by real estate.

10. The real estate commissioner would not permit which of the following mortgage loan advertisements:

- A "Call our toll free number 1-800-FOR A LOAN";
- B "Income, equity and credit must be verified";
- C "We loan up to 75% of market value based on our staff appraiser's report";
- D "First trust deeds available--10% per annum."

According to the Real Estate Commissioner's regulations a loan advertisement cannot imply that a person can obtain a loan over the telephone.

11. The function of mortgage companies, which play an important role in present-day real estate financing, could best be described as:

A Acquiring mortgages in the secondary market from lenders who originate them and expecting to hold such mortgages to maturity;

B Offering a lot of short-term credit, performing many supplemental functions in the area of finance and limiting their loans to the amount of money held in time deposits;

C Participating in the money market basically as correspondents for other lenders, originating and servicing loans but not intending to hold them in their own portfolio;

D Desiring to promote savings by paying high interest on deposits and acquiring large volumes of real estate mortgages.

Mortgage companies operate primarily by originating loans, selling them to other lenders and servicing those loans.

12. When processing a real estate loan application, a lender would correlate characteristics of borrower, loan, and property to make:

A A property appraisal;

B A loan commitment;

C A credit rating;

D A liability statement.

A loan commitment includes factors concerning the borrower, the loan, and the property. The credit rating uses factors only concerning the borrower.

13. Which of the following is the most difficult for the mortgage lender to evaluate:

A The value of the property securing the mortgage;

B The degree of risk inherent in the mortgage;

C The interest return on the capital;

D The cost of making the loan.

The degree of risk refers to many intangible factors, such as the reliability of the borrower, which are difficult to evaluate.

14. Which of the following choices would be the quickest and easiest method for a corporation to raise additional funds:

A Institute a 15% decrease in expenses;

B Sell more common stock;

C Authorize a bond issue;

D Authorize more preferred stock.

Common stock is easier for a corporation to issue and sell.

15. Which of the following pairs of words are synonymous:

- A Take-out loan - interim loan;
- B Construction loan - interim loan;
- C Construction loan - take-out loan;
- D Take-out loan - progressive payment loan.

Take-out loan - is considered the final or long-term loan. Construction loan - loan made to complete the improvements on real property. Interim loan - another name for a construction loan. Progressive loan - another type of construction loan.

16. Under a land contract for the sale of real property, legal title is held by the:

- A Trustee;
- B Beneficiary;
- C Vendee;
- D Vendor.

The vendor is the seller of the property who holds on to the grant deed until the vendee (buyer) fulfills the sales contract.

17. If a seller refuses to state on a real estate transfer disclosure statement that his property is in a slide area, when it is, the real estate agent should:

- A Go ahead and accept the listing and follow the instructions of his principal;
- B Not accept the listing;
- C Tell the seller that he should sell the property himself;
- D Go ahead and accept the listing and verbally tell any prospective buyers about the slide area.

It would be illegal not to disclose the slide area. The agent should not participate in the sale and should not even suggest that the seller break the law.

18. Which of the following loans is permitted by the FHA, but is not available through the VA? A loan to purchase:

- A A business;
- B A farm;
- C A residence for rental purposes;
- D Farm equipment.

FHA loans may be used to purchase housing, including up to four rental units. VA loans may be used to purchase a farm, a home, a business, or farm equipment.

19. Interest rates on trust deed loans are primarily determined by which of the following:

- A Demand for supply of money;
- B National defense policies and status of federally-insured loans;
- C The relative value of the U.S. dollar on the international money market;
- D None of the above.

Interest rates fluctuate according to the laws of supply and demand.

20. When a lender on a graduated payment mortgage is making disclosures that are required under the Truth-in-Lending law concerning advertising, he must disclose the:

- A Lender's name;
- B Broker's name;
- C Property location;
- D Different monthly payments.

According to the Truth-in-Lending law, when advertising a graduated payment loan, the monthly payments must be disclosed.

21. Under FHA, the usual ceiling height in a single-family residence is:

- A 7.5 feet;
- B 8 feet;
- C 9 feet;
- D 10 feet.

Most residences that are purchased with FHA loans have 8 foot ceilings.

22. Which of the following state agencies would receive complaints concerning fair housing laws?

- A Department of Real estate;
- B Department of Fair Employment and Housing;
- C Department of Community Development;
- D None of the above.

The Department of Fair Employment and Housing always receives complaints concerning violations of the state fair housing laws.

23. Whenever there is a real estate sales transaction, it must be reported to the IRS by the:

- A Lender;
- B Broker;
- C Escrow;
- D City.

The Internal Revenue Code requires the escrow company to report all sales transactions to the IRS. If there is no escrow, then the lender, the seller's broker, or the buyer's broker is responsible.

24. Insurance can be described as:

- A Transferring the risk of loss from an insured to an insurance company;
- B The substitution of certainty for uncertainty;
- C Protecting the insured against loss in accordance with the policy for the amount insured against loss in accordance with the policy for the amount insured and for the period of time agreed upon;
- D All of the above.

Insurance does all of these things.

25. When an agent took a listing she promised the seller that she would advertise the property in the newspaper until it was sold. The agent did not do the advertising that she promised. She is guilty of:

- A Constructive fraud;
- B Definite fraud;
- C Actual fraud;
- D Illusory fraud.

The Civil Code state that "A promise made without any intention of performing it" is actual fraud.