

Chapter 10 Answer Key

1. b. A judgment is a general, involuntary, equitable lien on both real and personal property owned by the debtor. (184)
2. d. A mechanic's lien gives security to persons or companies that perform labor or furnish material to improve real property, and can be filed when the owner has not fully paid for the work. (183)
3. b. A lis pendens is a notice of a possible future lien and is filed because there is often considerable delay between the time a lawsuit is filed and the time final judgment is rendered. (184)
4. d. A mechanic's lien is a specific lien as it affects a specific property, and only that particular property. (183)
5. a. $\$35,000$ (market value) \times 40% (.40) = $\$14,000$ (assessed value); $\$14,000$ divided by 100 = 140 \times $\$4$ (tax rate) = $\$560$ (tax due). (180, Math FAQ's)
6. c. A judgment is a general, involuntary, equitable line on both real and personal property owned by the debtor. (184)
7. a. A mortgage loan is created intentionally by the owner's action and so is a voluntary lien. (175)
8. b. State law will determine the date the priority of a mechanic's lien may be established, and could be either the date the construction began, or materials were first furnished; the date the work was completed; the date the individual subcontractor's work was either commenced or completed; the date the contract was signed or work was ordered; or the date that notice of the lien was recorded, filed, posted, or served. (176)
9. d. To prevent a debtor from conveying previously unsecured real estate while a court suit is being decided, a creditor may seek a writ of attachment. (184)
10. b. The tax rate is computed by dividing monies needed for the fiscal year by totaled assessments of all real estate, and the budget is the first step in this process. The tax bill reflects the tax rate applied to the assessed valuation. (178)
11. c. $\$255,000$ (market value) \times 35% (.35) = $\$89,250$ (assessed value); $\$89,250 \times 1.25 = \$111,562.50$ (value with equalization factor); $\$111,562.50$ divided

by 100 = 1,115.625 x \$3.50(tax rate) = \$3,904.69 (tax due) (180, Math FAQ's)

12. d. Special assessments created by a public agency are both statutory and specific. (177)
13. c. The lien filed by the contractor would be a mechanic's lien and would be a specific, involuntary lien on the property. (183)
14. b. Tax liens usually have priority over previously recorded liens. (176)
15. c. Generally a delinquent tax payer can redeem the property before the tax sale. This right is known as the equitable right of redemption. (180)
16. a. The general rule for priority of liens is "first come, first served", with the exception of taxes and assessments, which usually take priority over other liens. (176)
17. b. A recorded mortgage is a lien on real estate. Easements, encroachments, and restrictive covenants are all encumbrances, not liens. (175)
18. b. Most state laws exempt property from real estate taxation if used for tax-exempt purposes. A for-profit entity would generally not qualify for this exemption. (178)
19. b. $\$140,000 \times 40\% (.4) = \$56,000$ (assessed value); $\$56,000 \times 1.5$ (equalization factor) = $\$84,000$; $\$84,000$ divided by 100 = 840 x \$4 (tax rate) = $\$3,360$ (tax due). (180, Math FAQ's)
20. c. A general lien affects all of a debtor's property, both real and personal. A specific lien affects only a particular property. (175)
21. c. $\$184,500 \times 35\% (.35) = \$64,575$ (assessed value); $\$64,575 \times .03$ (30 mills) = $\$1,937.25$ (annual taxes); $\$1,937.25$ divided by 12 = $\$161.44$ (monthly taxes). (180, Math FAQ's)
22. d. Special assessments are taxes levied on real estate to fund public improvements. (178)
23. b. General real estate taxes are based on the value of the property being taxed and are known as ad valorem taxes. They are specific, involuntary liens. (177)
24. d. $\$2,400$ divided by .12 (120 mills) = $\$20,000$ (assessed value); $\$20,000$ divided by 20% (.20) (assessment rate) = $\$100,000$ (property value). (180, Math FAQ's)

25. c. $\$400 \times 12 = \$4,800$ (annual taxes); $\$4,800$ divided by $.04$ (tax rate) = $\$120,000$ (assessed value). (180, Math FAQ's)