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Real Estate Essentials
Chapter 4

Name _____

Here is chapter 4. You can do it!!!

Please select only ONE from each of the following questions.

1. The real estate broker's responsibility to keep the principal informed of all of the facts that could affect a transaction is the duty of
 - a. care.
 - b. disclosure.
 - c. obedience.
 - d. accounting.

2. Which of the following would be considered to be a dual agency?
 - a. The broker acting for both the buyer and the seller in the same transaction
 - b. Brokers cooperating with each other
 - c. The broker representing different principals
 - d. The broker listing and selling the same property

3. The relationship of a broker to his or her client is that of a(n)
 - a. trustee.
 - b. subagent.
 - c. fiduciary.
 - d. attorney in fact.

4. A real estate broker acting as the agent of the seller
 - a. is obligated to render faithful service to the principal.
 - b. can disclose the seller's minimum price.
 - c. should present to the seller only the highest offer for the property.
 - d. can accept an offer on behalf of the seller.

5. Statements by a real estate licensee exaggerating the benefits of a property are called
 - a. polishing.
 - b. puffing.
 - c. prospecting.
 - d. marketing.

6. A broker is permitted to represent both the seller and the buyer in the same transaction when
 - a. the principals are not aware of such action.
 - b. the broker is a subagent rather than the agent of the seller.
 - c. commissions are collected from both parties.
 - d. both parties have been informed and agree to the dual representation.

7. Which of the following would NOT be considered fraudulent practice?
 - a. Deceitful or dishonest practices.
 - b. Exaggerated statements about the property.
 - c. Omitted statements of material fact.
 - d. Misstatements about the property.

8. As an agent for the seller, a real estate broker can
 - a. guarantee a prospective buyer that the seller will accept an offer at the listed price and terms.
 - b. solicit an offer to purchase the property from a prospective buyer.
 - c. advise a prospective buyer of the best manner of taking title to the property.
 - d. change the terms of the listing contract on behalf of the seller.

9. A seller has listed her home with a broker for \$90,000, and the broker tells a prospective buyer to submit a low offer because the seller is desperate to sell. The buyer offers \$85,000 and the seller accepts it. In this situation,
 - a. the broker has violated his agency relationship with the seller.
 - b. the broker was unethical, but the seller did get to sell her property.
 - c. the broker acted properly to obtain a quick offer on the property.
 - d. any broker is authorized to encourage such bids for the property.

10. When Broker H was told by his principal not to advertise her property in the XYZ newspaper, which was out of the area, Broker H complied because he
 - a. had never advertised in the XYZ newspaper anyway.
 - b. must obey the lawful instructions of his principal.
 - c. was NOT intending to advertise the property at all.
 - d. is allowed to advertise only in local newspapers.

11. It is the duty of an agent to disclose to the principal every step taken in the transaction of the principal's business. This is because the
 - a. commission can be adjusted up or down according to the agent's efforts.
 - b. agent has fiduciary obligations to the principal.
 - c. terms of the listing contract require the agent to do so.
 - d. terms of the purchase contract require the agent to do so.

12. Upon discovering a latent defect in the property, the licensee should discuss the problem with the seller and then
 - a. notify the seller that the defect must be repaired.
 - b. arrange for the repairs himself or herself.
 - c. inform any prospective buyers of the defect.
 - d. contact the city building inspector about the defect.

13. A landowner subdivides his acreage and offers the lots for sale. Broker E tells the landowner that she can sell the lots. After Broker E sells some of the lots, the landowner refuses to pay her a commission. Broker E can
 - a. report the landowner to the real estate licensing authorities.
 - b. file a lien against the landowner's remaining lots.
 - c. sue the landowner for breach of contract.
 - d. do nothing.

14. A salesperson who is employed by a broker told a prospective buyer that the house she was looking at is "the best house in the area." Because of this statement
 - a. the salesperson was guilty of fraud.
 - b. the broker was guilty of fraud because the employing broker is responsible for the actions of the salesperson.
 - c. the salesperson was guilty of puffing.
 - d. the salesperson would be guilty of fraud only if the buyer purchased the house.

15. Which of the following best defines the "law of agency"?
 - a. The selling of another's property by an authorized agency
 - b. The rules of law that apply to the responsibilities of a person who acts for another
 - c. The principles that govern one's conduct in business
 - d. The rules and regulations of the state's licensing agency

16. A broker who is the agent of the buyer should do which of the following?
 - a. Disclose to the seller that the buyer is a minority person
 - b. Disclose to the seller the maximum price the buyer is willing to pay
 - c. Present to the seller only offers that are acceptable
 - d. Advise the buyer if the listing price of the seller's house is unrealistic

17. A salesperson sells a buyer a property listed by another brokerage firm in the MLS. The salesperson has been working with the buyer for many months but does not have an agency contract with the buyer. This salesperson has fiduciary obligations to
 - a. the seller.
 - b. the buyer.
 - c. no one.
 - d. the public.

18. A buyer who is shown properties listed for rent by a broker is the broker's
 - a. client.
 - b. principal.
 - c. customer.
 - d. fiduciary.

19. Mr. M's house has been listed for sale for more than one year and he is very anxious to move into a retirement condominium. A salesperson, who is a subagent of the seller, tells a prospective buyer to make a low offer because the salesperson is sure that the seller will accept it. Regarding the salesperson's conduct, which of the following would NOT be true?
- The salesperson acted appropriately to get the seller's property sold.
 - The salesperson violated the fiduciary to the seller.
 - The salesperson's conduct could indicate that she is working for the buyer.
 - The salesperson should not assume that an anxious seller will accept a lower offer.
20. A salesperson who represents the seller is showing a house to a prospective buyer. The salesperson knows that the house has a wet basement. Which of the following is true?
- Withholding the information protects the confidence of the seller.
 - Disclosing the information could create a fiduciary with the buyer.
 - Withholding the information prevents the buyer from making an informed decision.
 - Disclosing the information violates the fiduciary to the seller.
21. Which of the following would NOT need to be licensed when acting for another person in the sale or lease of real estate?
- One who is personally representing a dealer in real estate
 - Anyone acting under a power of attorney
 - A relative of the party
 - A next-door neighbor.
22. A broker cannot legally collect commissions from both the seller and the buyer without
- notifying both parties of this fact verbally after the sale has closed.
 - notifying both parties of this fact in writing after the sale has closed.
 - having exclusive listing agreements signed by both the seller and the buyer.
 - having the prior knowledge and written consent of both the seller and the buyer.
23. Broker W, in the course of selling a home to N, told her that the foundation was "solid as a rock" when he knew for a fact that it was slowly sinking into the landfill on which it was built. Which of the following is he NOT likely to be subjected to?
- Having his real estate license revoked
 - Being sued criminally for restitution
 - Being sued civilly for damages
 - Being sued criminally for fraud