

Michael James Johnston  
Real Estate Essentials  
Sample Final Exam #1

Name \_\_\_\_\_

1. A parcel of vacant land 80 feet wide and 200 feet deep was sold for \$200 per front foot. How much money would a salesperson receive for her 60 percent share in the 10 percent commission?
  - a. \$640
  - b. \$960
  - c. \$1,600
  - d. \$2,400
  
2. The Real Estate Settlement Procedures Act (RESPA) may apply to a loan assumption if the
  - a. terms of the assumed loan are modified by the lender.
  - b. lender charges less than \$50 for the assumption.
  - c. buyer must be qualified by the lender for the assumption to occur.
  - d. seller does NOT want to be liable for the loan in the future.
  
3. When a tenant holds possession of a landlord's property without a definite lease term but with the consent of the landlord, this is called
  - a. tenancy in common.
  - b. tenancy at sufferance.
  - c. tenancy at will.
  - d. trespass.
  
4. A bill of sale is used to transfer the ownership of
  - a. real property.
  - b. fixtures.
  - c. personal property.
  - d. appurtenances.
  
5. A written real estate contract is assumed to be the complete agreement of the parties because of the
  - a. statute of frauds.
  - b. parol evidence rule.
  - c. statute of limitations.
  - d. rule of contracts.
  
6. The type of listing agreement that provides for the payment of a commission to the broker even though the owner makes the sale without the aid of the broker is called a(n)
  - a. exclusive-right-to-sell listing.
  - b. open listing.
  - c. exclusive-agency listing.
  - d. option listing.

7. To create a joint tenancy relationship in the ownership of real estate, there must be unities of
    - a. grantees, ownership, claim of right, and possession.
    - b. title, interest, encumbrance, and survivorship.
    - c. possession, time, interest, and title.
    - d. ownership, possession, heirs, and title.
  
  9. The purchase of a ticket for a professional sporting event gives the bearer
    - a. an easement right to park his car.
    - b. a license to enter and claim a seat for the duration of the game.
    - c. an easement in gross interest in the professional sporting team.
    - d. a license to sell goods and beverages at the sporting event.
  
  9. In what way does a deed of trust differ from a mortgage?
    - a. In the number of parties involved in the loan
    - b. In the obligation of the borrower to repay the funds
    - c. In the redemption rights allowed after foreclosure
    - d. In the time period permitted to cure a default
  
  10. A trust is a legal arrangement whereby the title to property is held for the benefit of a third party by a(n)
    - a. beneficiary.
    - b. trustor.
    - c. trustee.
    - d. attorney in fact.
  
  11. Steering is
    - a. leading prospective homeowners to or away from certain neighborhoods.
    - b. refusing to make loans on properties located in certain areas.
    - c. a requirement for the broker to join MLS.
    - d. a practice of standardizing commission rates.
  
  12. A special warranty deed differs from a general warranty deed in that the grantor's covenant in the special warranty deed
    - a. applies only to a definite limited time.
    - b. covers the time back to the original title.
    - c. is implied and is not written in full.
    - d. protects all subsequent owners of the property.
  
  13. The commission of the sale of a house is \$4,410. Thirty percent goes to the broker who listed the property. Of the remainder, the broker whose salesperson completed the transaction gets 45 percent, and the salesperson receives the balance. How much does the salesperson who made the sale receive?
    - a. \$1,389
    - b. \$1,697
    - c. \$1,728
    - d. \$2,425
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14. A third party holds title to property on behalf of someone else through the use of a
  - a. devise.
  - b. quitclaim deed.
  - c. bequest.
  - d. trust deed.
  
15. The agency responsible for the enforcement of the Fair Housing Act is the
  - a. Department of Justice.
  - b. Federal Housing Administration.
  - c. Department of Housing and Urban Development.
  - d. Department of Veteran Affairs.
  
16. By executing a listing agreement with a seller, a real estate broker has become
  - a. a procuring cause.
  - b. obligated to open a special trust account.
  - c. an agent of the seller.
  - d. responsible for sharing commissions.
  
17. Every real estate contract must have a(n)
  - a. grantor and a grantee.
  - b. offer and acceptance.
  - c. acknowledgment by a notary.
  - d. legal description.
  
18. An ownership interest that is based on annual occupancy intervals is the
  - a. leasehold.
  - b. time-share.
  - c. condominium.
  - d. cooperative.
  
19. The expression "more buildings are torn down than fall down" refers to
  - a. curable physical deterioration.
  - b. incurable physical deterioration.
  - c. the enforcement of building codes.
  - d. functional and external depreciation.
  
20. The Fair Housing Act of 1968 is contained in
  - a. Title VIII of the Civil Rights Act of 1968.
  - b. the Civil Rights Act of 1866.
  - c. the Civil Rights Act of 1964.
  - d. Executive Order No. 11063.
  
21. The following legal description contains how many acres: the South 1/2 of the SE 1/4 of the NW 1/4 of the NE 1/4 of Section 7?
  - a. 2.5
  - b. 5
  - c. 10
  - d. 20

22. The finance fee charged by the lender to make the loan is a(n)
  - a. prepayment penalty.
  - b. advance interest payment.
  - c. loan origination fee.
  - d. prepayment of mortgage insurance.
  
23. Federal income tax law excludes gain realized on the sale of a primary residence for singles and couples. The amount of the lifetime exclusion is (single/couple):
  - a. \$100,000/\$200,000
  - b. \$125,000/\$250,000
  - c. \$250,000/\$500,000
  - d. \$300,000/\$600,000
  
24. M listed her real estate for sale at \$100,000. If her cost was 80 percent of the listing price, what will her percentage of profit be if her real estate is sold for the listing price?
  - a. 10 percent
  - b. 15 percent
  - c. 20 percent
  - d. 25 percent
  
25. Fannie Mae
  - a. makes FHA loans.
  - b. buys FHA loans.
  - c. services FHA loans.
  - d. insures FHA loans.
  
26. If a seller needs to net \$50,000 after the sale, how much must the real estate sell for if the selling costs include a 7% commission and \$1,200 in other expenses?
  - a. \$54,700.00
  - b. \$54,963.44
  - c. \$55,053.76
  - d. \$55,633.25
  
27. In regulations regarding lead-based paints, HUD requires that
  - a. homeowners test for presence.
  - b. paint must be removed from surfaces before selling.
  - c. known paint hazards must be disclosed.
  - d. only licensed contractors may deal with removal.
  
28. The type of listing agreement that provides the least protection for the listing broker is the
  - a. exclusive-right-to-sell listing.
  - b. exclusive-agency listing.
  - c. open listing.
  - d. net listing.

29. Restrictive covenants that run with the land
  - a. are no longer effective when the title is transferred.
  - b. apply only until the developer has conveyed the title.
  - c. can be removed by a court of competent jurisdiction.
  - d. apply to and bind all successive owners of the property.
  
30. Which of the following is NOT a reason a listing agreement may be terminated?
  - a. Sale of the property
  - b. Death of the salesperson
  - c. Agreement of the parties
  - d. Destruction of the premises
  
31. Certain items on the premises that are installed by the tenant and are related to the tenant's business are called
  - a. fixtures.
  - b. emblements.
  - c. trade fixtures.
  - d. easements.
  
32. The body of law that covers such topics as security agreements, financing statements, and bulk transfers is the
  - a. American Land Title Association.
  - b. Uniform Commercial Code.
  - c. Parol Evidence Rule.
  - d. Statute of Limitations.
  
33. Which of the following is NOT covered in a basic homeowner's policy?  
Damage caused by:
  - a. fire and lightning.
  - b. earthquake and volcanic action.
  - c. windstorm and hail.
  - d. flooding waters.
  
34. In a new subdivision, streets, curbs, and sidewalks are usually provided by the
  - a. municipality.
  - b. property owners.
  - c. developer.
  - d. state.
  
35. The Internal Revenue Service now uses the term *cost recovery* instead of which of the following?
  - a. Capitalization
  - b. Appreciation
  - c. Recapitalization
  - d. Depreciation
  
36. Real property can become personal property by
  - a. severance.
  - b. purchase.
  - c. hypothecation.
  - d. attachment.

37. A licensed salesperson may receive compensation or commission from
  - a. only the employing broker.
  - b. from the principal.
  - c. from any broker.
  - d. from a landlord.
  
38. Which of the following documents is signed by the owner of the real estate?
  - a. A gift deed
  - b. A trustee's deed
  - c. A reconveyance deed
  - d. A tax deed
  
39. The Real Estate Settlement Procedures Act (RESPA) is a regulation of the
  - a. state government.
  - b. federal government.
  - c. Department of Housing and Urban Development.
  - d. Department of Veteran Affairs.
  
40. The covenant implied in a lease that ensures that the tenant will not be evicted by someone claiming ownership of the property prior to that of the lessor is the covenant
  - a. of seizin.
  - b. of quiet enjoyment.
  - c. of warranty forever.
  - d. against encumbrances.
  
41. The term "rescind" means
  - a. change.
  - b. cancel.
  - c. substitute.
  - d. subordinate.
  
42. Many states determine the order of water rights according to which users of the water hold a recorded beneficial use permit. This allocation of water rights is determined by
  - a. accretion.
  - b. riparian theory.
  - c. littoral theory.
  - d. the doctrine of prior appropriation.
  
43. Most homeowner's insurance policies contain which of the following clauses?
  - a. A property improvement clause
  - b. A coinsurance clause
  - c. A co-ownership clause
  - d. A property devaluation clause

44. The phrase "bundle of legal rights" is properly included in
  - a. the definition of real property.
  - b. a legal description.
  - c. real estate transactions.
  - d. leases for less than one year.
  
45. 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
  
46. A property owner lists his property for sale with a broker. During the negotiations, the owner told the broker that the owner wanted \$138,000 for the property, and anything above that amount the broker could keep as his commission. The listing with this type of provisions is known as the
  - a. gross listing.
  - b. net listing.
  - c. open listing.
  - d. non-exclusive listing.
  
47. A mechanic's lien would be properly classified as a(n)
  - a. equitable lien.
  - b. voluntary lien.
  - c. general lien.
  - d. statutory lien.
  
48. Contamination by underground storage tanks is
  - a. found only in petroleum stations.
  - b. regulated by the EPA.
  - c. only caused by tanks currently in use.
  - d. easily detected and eliminated.
  
49. An appraiser is responsible for
  - a. finding value.
  - b. computing value.
  - c. determining value.
  - d. estimating value.
  
50. 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.

51. A portion of W's building was inadvertently built on G's land. This is called an
  - a. accretion.
  - b. avulsion.
  - c. encroachment.
  - d. easement.
  
52. The term depreciation refers to the
  - a. value of real estate after the expiration of its useful life.
  - b. loss of value in real estate from any cause.
  - c. costs incurred to renovate or modernize a building.
  - d. capitalized value of lost rental income.
  
53. The most common source of lead poisoning found in residential property is
  - a. in asbestos.
  - b. in the basement.
  - c. caused by appliances.
  - d. in alkyd oil-based paint.
  
54. The title to real estate passes when a valid deed is
  - a. signed and recorded.
  - b. delivered and accepted.
  - c. filed and microfilmed.
  - d. executed and mailed.
  
55. Under a limited partnership, the individual who organizes, operates and is responsible for the syndicate is
  - a. a passive investor.
  - b. the general partner.
  - c. a Securities and Exchange Commission official.
  - d. the trustor of the syndicate.
  
56. When a real estate investment is operated by three general partners who are fully liable for its operating profits and losses and it is jointly owned with several other partners who share no responsibility for its profits and losses, this form of ownership is called a
  - a. general partnership.
  - b. limited partnership.
  - c. real estate equity trust.
  - d. real estate mortgage trust.
  
57. Strips of land six miles wide that run north and south are called
  - a. tiers.
  - b. ranges.
  - c. latitudes.
  - d. longitudes.

58. The practice of channeling families with children away from other buildings into an apartment building where other families with children reside is
- most practical.
  - blockbusting.
  - redlining.
  - steering.
59. The relationship of a broker to his or her client is that of a(n)
- trustee.
  - subagent.
  - fiduciary.
  - attorney in fact.
60. A mortgagor is the one who
- gives the mortgage.
  - holds the mortgage.
  - provides the mortgage funds.
  - forecloses on the mortgage.
61. Under the Torrens system,
- title passes when the registrar approves the grantor's deed for registration.
  - the Torrens official performs exactly the same functions as the recorder of deeds.
  - the original deed is mailed to the buyer after it has been registered.
  - the registration of a title can be canceled by the owner at any time.
62. A custom home containing 4,320 square feet was recently constructed on a \$145,000 lot. Construction costs were \$80.25 per square foot, and other fees and costs totaled \$12,785. What was the total cost of the property?
- \$145,000
  - \$346,680
  - \$359,465
  - \$504,465
63. When a company furnishes materials for the construction of a house and is subsequently not paid, it may file a(n)
- deficiency judgment.
  - lis pendens.
  - estoppel certificate.
  - mechanic's lien.
64. Assume that the listing and selling brokers split the commission evenly. What is the sales price of a house if the listing broker received \$2,593.50 and the total commission rate is 6 1/2 percent?
- \$88,400
  - \$79,800
  - \$76,200
  - \$39,900

65. A metes and bounds legal description
- can be made only in areas excluded from the rectangular survey system.
  - is not acceptable in court in most jurisdictions.
  - must commence and finish at the same identifiable point.
  - is used to complete areas omitted from recorded subdivision plats.
66. An FHA-insured mortgage loan would be obtained from which of the following?
- The Federal Housing Administration
  - The Department of Housing and Urban Development
  - Any qualified lending institution
  - Any qualified insuring institution
67. A mechanic's lien can be filed against an owner's real estate by a(n)
- real estate salesperson claiming part of the broker's commission.
  - lumber company furnishing materials ordered by the property owner.
  - real estate broker claiming a commission under a rejected offer.
  - individual who obtained a judgment against the property owner.
68. One of the methods a real estate investor may use to defer capital gains tax is to
- sell the property for cash only.
  - obtain the maximum amount of leverage.
  - exchange property for like-kind property.
  - build a reserve account for items likely to wear out.
69. A licensed real estate professional acting as a point of contact between two or more people in negotiating the sale, rental or purchase of a property is known as a(n)
- sales affiliate.
  - broker.
  - property manager.
  - appraiser.
70. A management agreement is to a property manager like a(n)
- listing agreement is to a broker.
  - lease is to a tenant.
  - deed is to a buyer.
  - assignment.
71. Fannie Mae, Ginnie Mae, and Freddie Mac have in common the purpose of
- originating residential mortgage loans.
  - purchasing existing mortgage loans.
  - insuring residential mortgage loans.
  - guaranteeing existing mortgage loans.

72. When demand decreases and supply remains the same
- prices tend to rise.
  - prices tend to fall.
  - prices are not affected.
  - the market becomes stagnant.
73. Which of the following is acceptable as the evidence of marketable title?
- A trust deed
  - A warranty deed
  - A title insurance policy
  - An affidavit
74. The listing and selling brokers agree to split a 7% commission fifty-fifty on a \$96,900 sale. The listing broker gives the listing salesperson 30% of his commission and the selling broker gives the selling salesperson 35% of his commission. How much does the selling salesperson earn from the sale?
- \$1,139.78
  - \$1,174.78
  - \$971.95
  - \$1,187.03
75. Which of the following is NOT a category of the uses of real property?
- Residential
  - Developmental
  - Agricultural
  - Industrial
76. A statutory right that a family has in its residence is called
- entirety.
  - survivorship.
  - curtesy.
  - homestead.
77. Unless some other written agreement has been made, the broker will usually receive the sales commission when
- the purchaser takes possession of the property.
  - the seller lists the property with the broker.
  - the transaction is closed.
  - an offer is procured from a ready, willing and able buyer.
78. Which of the following is NOT required of a broker in order for that broker to collect a commission on the sale of a property? That he or she
- had a valid real estate broker's license.
  - was a procuring cause.
  - was employed to perform certain activities.
  - belonged to a real estate board.

79. S and N bought a store building and took title as joint tenants. N died testate. S now owns the store
- as a joint tenant with rights of survivorship.
  - in severalty.
  - as a tenant in common with N's heirs.
  - in trust.
80. The clause in a trust deed or mortgage that permits the lender to declare the entire unpaid balance immediately due and payable upon default is the
- judgment clause.
  - escalator clause.
  - forfeiture clause.
  - acceleration clause.
81. When a lien against a parcel of real estate may result from a lawsuit currently before the court, one examining the public records would look for
- the chain of title.
  - a lis pendens.
  - a suit to quiet title.
  - a judgment lien.
82. A discrimination suit may be filed in federal court by
- the aggrieved person because of racial discrimination.
  - the Department of Housing and Urban Development.
  - the state or county nondiscrimination officer.
  - the Federal Housing Administration.
83. Under an installment contract, the title to the property is held by the
- vendor.
  - vendee.
  - trustor.
  - trustee.
84. A property manager's primary obligation is to
- the tenants.
  - the owner.
  - the banker.
  - government authorities
85. A real estate salesperson who is an independent contractor receives
- a monthly salary or hourly wage.
  - company-provided health insurance.
  - company provided automobile.
  - negotiated commissions on transactions.
86. Radon is
- only found in the eastern United States.
  - easy to detect because of its odor.
  - a known human carcinogen.
  - not found in older homes.

87. When an investor sells property on an installment sale basis, he or she
- must declare all of the gain in the year the property is sold.
  - may defer the federal income tax liability as he or she receives payment on an installment basis.
  - may give the buyer all of the federal income tax liability.
  - may give the buyer the privilege of deferring all of the federal income tax liability.
88. Which of the following best defines the "law of agency"?
- The selling of another's property by an authorized agency
  - The rules of law that apply to the responsibilities of a person who acts for another
  - The principles that govern one's conduct in business
  - The rules and regulations of the state's licensing agency
89. A salesperson may advertise a property for sale only if he or she
- personally listed the property.
  - uses the employing broker's name in the advertisement.
  - personally pays for the advertisement.
  - is a member of the local real estate board.
90. The legal proceeding or legal action brought by either the buyer or the seller under a purchase contract to enforce the terms of the contract is known as
- an injunction.
  - a lis pendens.
  - an attachment.
  - specific performance.
91. A building sold for \$157,000. The broker charged a 6 percent commission and divided it as follows: 10 percent to the salesperson who took the listing; one-half of the balance to the salesperson who made the sale; and the remainder to the broker. What was the listing salesperson's commission?
- \$239
  - \$942
  - \$1,570
  - \$4,239
92. The tenant leases a heated apartment, but the landlord fails to provide heat because of a defective central heating plant. The tenant vacates the premises and refuses to pay any rent. This is an example of
- abandonment.
  - actual eviction.
  - constructive eviction.
  - lessor negligence.

93. A person who has complete control over a parcel of real estate is said to own a
- leasehold estate.
  - fee simple estate.
  - life estate.
  - defeasible fee estate.
94. 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
- escheat.
  - accretion.
  - confiscation.
  - eminent domain.
95. How many acres are there in the property described as follows: the NW 1/4 of the SW 1/4 of the NE 1/4 of Section 16?
- 5 acres
  - 10 acres
  - 20 acres
  - 40 acres
96. According to law, a trade fixture is
- a fixture.
  - an easement.
  - personalty.
  - a license.
97. The owner of a house wants to fence the yard for her dog. When the fence is erected, the fencing materials are converted to real estate by
- severance.
  - annexation.
  - immobility.
  - indestructibility.
98. The Ls sold their vacation home for \$88,000. If they made a profit of 10 percent, what was the original cost of the property?
- \$61,000
  - \$79,000
  - \$79,200
  - \$80,000

99. A broker cannot legally collect commissions from both the seller and the buyer without
- a. notifying both parties of this fact verbally after the sale has closed.
  - b. notifying both parties of this fact in writing after the sale has closed.
  - c. having exclusive listing agreements signed by both the seller and the buyer.
  - d. having the prior knowledge and written consent of both the seller and the buyer.
100. The process by which expenses are handled at the settlement of a real estate transaction so that both the buyer and the seller pay their respective portions of the debts is called
- a. assessment.
  - b. proration.
  - c. balancing.
  - d. reconciliation.