Mock Exam II: National Section

1. L is appraising a 25-year-old residence. Which of the following approaches to value should she use?
   A. Capitalization of net income method
   B. Reproduction cost method
   C. Building residual method
   D. Market data method

2. M, a married woman, is selling a home that is her sole and separate property. Still, the buyer's attorney insists that both M and her husband sign the deed because:
   A. in a community property state, all property owned by marital partners is community property
   B. their signatures release any legal interest they may have in the property
   C. a warranty deed is not valid unless signed by both parties of a marital estate
   D. the buyer is assured that both sellers are jointly and severally liable for the warranties contained in the deed

3. The difference between the fair market value and the debt that is owed against a property is called:
   A. leverage
   B. severance
   C. equity
   D. risk capital

4. When a landlord wants to evict a tenant for failure to pay rent, what kind of legal action must the landlord undertake?
   A. An unlawful possession action
   B. A partition action
   C. An unlawful detainer action
   D. A quiet title action

5. A homeowner wants to sell his home, but during the listing presentation he insists that the broker show the property to Caucasians only. Under these circumstances, what should the broker do?
   A. Refuse to take the listing
   B. Follow the owner's instructions
   C. Explain that she can steer minority prospects to other neighborhoods
   D. Charge the seller a higher commission because the home will be harder to sell

6. When using the cost approach to value while appraising a small department store, the appraiser will need to determine which of the following?
   A. Gross income multipliers for similar properties
   B. Accrued depreciation for comparable properties
   C. The current cost of replacing the subject property
   D. Location and date of sale of comparable properties
7. The loan-to-value ratio represents the relationship between the:
   A. loan amount and the value of loans outstanding at the lending institution
   B. amount borrowed and the value of the borrower's assets
   C. amount borrowed and the value of the security property
   D. loan amount and the interest rate at the time of the loan

8. In what circumstances is an item considered part of the real estate?
   A. It makes the real property more useful
   B. It adds to the value of the real estate
   C. It has an effective life of at least ten years
   D. It is permanently attached to the real property

9. A person dies, leaving a will. The individual who is responsible for administering the will is called a/an:
   A. administrator
   B. beneficiary
   C. legatee
   D. executor

10. Which type of deed limits the covenants of the grantor?
    A. Quitclaim deed
    B. Special warranty deed
    C. General warranty deed
    D. Correction deed

11. A mortgagee's title policy provides protection for the:
    A. seller against a breach of contract by the buyer
    B. mortgagor against liens not recorded
    C. buyer against lawsuits filed by the seller
    D. mortgagee against undiscovered title defects

12. A property management agreement between Owner Q and ABC Realty calls for a commission rate of 6% of the first $350,000 in rents and 8% of the rents that exceed $350,000. If the previous year's total rent collected was $475,000, what was the amount of the management fee paid to ABC Realty?
    A. $28,000
    B. $31,000
    C. $28,500
    D. $38,000

13. Which of the following best describes a condominium?
    A. An undivided interest in the entire project
    B. A separate interest in a unit and an undivided interest in the common areas
    C. Separate interests in the common areas and an undivided interest in the unit
    D. A separate interest in the entire project
14. A borrower financing the purchase of real property is required to sign a security instrument in order to:
   A. endorse the promissory note
   B. make the property collateral for the loan
   C. amortize the payments
   D. prevent foreclosure

15. S is appraising a 3,500 square foot house with six bedrooms and 1.5 baths. Because there aren't enough bathrooms for the number of bedrooms, S deducts $2,500 from his value estimate for:
   A. deferred maintenance
   B. economic obsolescence
   C. functional obsolescence
   D. external obsolescence

16. An option to buy, when exercised, becomes a/an:
   A. implied contract
   B. unilateral contract
   C. bilateral contract
   D. statutory contract

17. When making the required agency disclosure, an agent must always:
   A. conduct herself in conformity with the agency disclosure she has made
   B. explain that she is the agent for the seller
   C. avoid dual agency situations, as they are illegal
   D. explain that she is the agent of the party who is responsible for paying the commission

18. The interest paid on a real estate loan is:
   A. simple
   B. compound
   C. collateral
   D. always variable

19. Z purchases T's home and assumes T's FHA loan. How can T be assured he will not have any continuing liability for the loan after the sale is complete?
   A. T should assign the loan to Z
   B. Z should take title "subject to" T's loan
   C. T should get a release from the lender
   D. T should get a waiver of liability from the buyer

20. Which of the following would NOT provide constructive notice of an interest in real property?
   A. A previously recorded deed
   B. A recorded trust deed
   C. Purchaser fails to record her deed but takes possession of the property
   D. An express statement disclosing a recent sale of the property to another purchaser
21. Any change in a contract’s terms should be:
   A. set forth in a written amendment and signed by all parties to the contract
   B. inserted by the salesperson and initialed by her
   C. set forth in a written addendum and signed by all parties
   D. postponed until closing, and then inserted in the escrow instructions

22. A mortgage instrument that contains a clause allowing a portion of the security property to be
released from the lien of the mortgage before the debt is fully paid is called a/an:
   A. wraparound mortgage
   B. open mortgage
   C. blanket mortgage
   D. subordination mortgage

23. Discount points are a percentage of the:
   A. loan amount
   B. sales price
   C. downpayment
   D. closing costs

24. A loss in value that is a cost that can be recovered is:
   A. a sinking fund
   B. depreciation
   C. discounted interest
   D. equity

25. A person who receives real property by will is called a/an:
   A. executor
   B. testator
   C. assignee
   D. devisee

26. A loan not backed by a government agency is called a/an:
   A. FHA loan
   B. nonconforming loan
   C. conventional loan
   D. median loan

27. Which of the following is a characteristic of a graduated payment mortgage?
   A. Monthly payments that decrease annually over the term of the loan
   B. Monthly payments that increase or decrease annually in concert with a mortgage money
   index
   C. Above-market payments in the early years that decrease annually until the loan is fully
   amortized
   D. Below-market payments in the early years that increase annually to fully amortize the loan
28. Which of the following is essential to the validity of a purchase and sale agreement?
   A. Recording
   B. Signatures of the broker, the buyer, and the seller
   C. An unambiguous offer and an unqualified acceptance
   D. Notarization

29. The three-day rescission right established by the Truth in Lending Act applies to which of the following?
   A. Loan used to finance the purchase of a home
   B. Residential construction loan
   C. Home improvement loan
   D. Commercial loan

30. Broker K writes an offer to purchase for one of her listings. The offer is accepted. What should K do with the earnest money deposited by the purchaser?
   A. Place it in her general account and transfer it to her trust account no later than the close of the next banking day
   B. Place it directly into her general account and make periodic accountings to ensure the money hasn't been misappropriated
   C. Deposit it directly into an authorized escrow account
   D. Ask the buyer to establish his own escrow account so there is no chance that K will be accused of misappropriation

31. A homeowner sells his own property, but is still required to pay a real estate commission. What kind of listing did the homeowner sign?
   A. Net
   B. Exclusive right to sell
   C. Exclusive agency
   D. Open

32. K purchases a house next to hers, then deeds it to her mother for her mother's life, specifying that it will belong to K after her mother's death. This is a:
   A. life estate with a reversionary interest
   B. life estate with a joint tenancy
   C. statutory estate with a reversionary interest
   D. statutory estate with a tenancy for years

33. When attempting to obtain a listing, a licensee tells a property owner he should sell his house before the neighborhood becomes integrated. This constitutes the illegal act of:
   A. steering
   B. blockbusting
   C. redlining
   D. fraud
34. A married couple is listing their house for sale, and a salesperson is preparing the listing agreement. The agreement should be signed by:
   A. the broker, the salesperson, and either one of the sellers
   B. either one of the sellers, and the salesperson on behalf of the broker
   C. both of the sellers and the buyer
   D. both of the sellers, and the salesperson on behalf of the broker

35. Which of the following actions by a real estate broker would be unlawful?
   A. Accepting a listing from a property owner who insists on remaining anonymous
   B. Creating a fiduciary relationship with a landowner under an exclusive agency listing
   C. Advising a property owner on how to give real property in a will
   D. Negotiating a lease for an industrial warehouse

36. The seller listed the property for $95,000. Assuming that their listing agreement is typical, the broker would NOT be entitled to a commission if the seller:
   A. rejected a $90,000 offer from a financially qualified buyer
   B. accepted a $90,000 offer from a financially qualified buyer
   C. accepted a $95,000 offer, but his title turned out to be unmarketable
   D. rejected a $95,000 offer from a financially qualified buyer

37. If a VA loan is assumed and the original veteran borrower is released from liability, it is called a/an:
   A. satisfaction
   B. reconveyance
   C. novation
   D. assignment

38. M is R's listing broker. M receives three offers for R's property. Two of the offers are reasonable offers. The third offer is for little more than half of the listing price. M is sure R will NOT accept the third offer. M should:
   A. present only the two reasonable offers to R
   B. pick the best offer of the three and present it to R
   C. present all three offers to R
   D. reject the third offer on R's behalf

39. The gradual liquidation of a debt with installment payments that include both principal and interest is called:
   A. liquidation
   B. amortization
   C. security payment
   D. equity financing

40. A metes and bounds description uses:
   A. lots
   B. meridians
   C. a plat map
   D. a point of beginning
41. A brother and a sister own a rental home as joint tenants. The brother is nearly destitute and deeply in debt when he dies. Which of the following statements is TRUE?
   A. The brother's creditors can attach the brother's interest in the farm
   B. The sister is liable for the brother's debts up to the amount of the brother's equity
   C. The creditors can't attach the property at all
   D. The sister is liable to the creditors only if she claims the brother's interest in the property

42. Several $100,000 homes were built in an exclusive subdivision where the existing homes had been selling for between $350,000 and $450,000. The result was that values throughout the neighborhood declined. Which appraisal principle explains this phenomenon?
   A. Regression
   B. Progression
   C. Substitution
   D. Supply and demand

43. The Js have a 25-year loan at 8.5% interest, with a current principal balance of $149,000. How much will their next monthly payment of $1,200 reduce the principal balance?
   A. $144.58
   B. $148.59
   C. $1,055.42
   D. $1,067.81

44. The period during which improved property will yield a return that is attributable to the improvements, over and above the land itself, is called its:
   A. effective life
   B. period of decrement
   C. economic life
   D. reproductive life

45. Two friends purchased real property together with the provision that in the event of the death of one of the friends, the other would own the entire property. How did they take title?
   A. Tenancy in severalty
   B. Joint tenancy
   C. Tenancy in common
   D. Tenancy in partnership

46. Which of the following is a requirement for conveying title to real property?
   A. Deed must be delivered by grantor and accepted by grantee
   B. Deed must be acknowledged
   C. Deed must be signed by grantee
   D. Deed must be recorded

47. The term that refers to a property's price in terms of cash or its equivalent upon which a willing buyer and willing seller will agree, where neither is under any undue pressure and both are typically motivated, have adequate knowledge, and are acting in their own best interest is:
   A. price
   B. cost
   C. utility value
   D. market value
48. The interest rate of an adjustable rate mortgage (ARM) changes when:
   A. changes occur in a specified index  
   B. the lender’s current interest rates are at least 2% above the original rate  
   C. the lender changes its margin  
   D. the Federal Reserve Bank changes its key rates

49. All of the following are requirements for creating an agency, EXCEPT:
   A. lawful objective  
   B. competent parties  
   C. a written document  
   D. mutual agreement

50. Someone who deliberately misrepresents a material fact with the intention of causing another person to suffer a loss may be guilty of:
   A. constructive misrepresentation  
   B. constructive fraud  
   C. actual fraud  
   D. undue influence

51. Which of the following statements about options is TRUE?
   A. Consideration is not necessary for an option to be valid  
   B. The optionor cannot be compelled to perform  
   C. Options cannot be assigned  
   D. An optionee can refuse to exercise an option

52. The type of tax levied according to the market value of the property is a/an:
   A. special assessment  
   B. ad valorem tax  
   C. estate tax  
   D. federal income tax

53. Both private restrictions and zoning define and limit land uses for what purpose?
   A. To prevent the use of restrictive covenants  
   B. To prevent uncontrolled growth and suburban sprawl  
   C. To ensure racially balanced communities  
   D. To ensure compatible uses and promote harmony between neighboring landowners

54. Which of the following is true about a contract for deed (land contract)?
   A. Once the contract is signed, the buyer has legal title to the property  
   B. After signing, the seller retains an equitable interest in the property  
   C. The buyer receives a warranty deed when the seller has been paid in full  
   D. The interest transferred by a contract for deed is the same as the interest conveyed by a lease
55. On October 2, a buyer makes an offer, which she agrees to keep open for three days. The seller rejects the offer on the same day. On October 3, the seller changes his mind and notifies the buyer that he is accepting the offer. Which of the following is TRUE?
   A. The offer hasn't expired, so the seller's acceptance creates a binding contract
   B. The buyer hasn't revoked the offer, so there is a binding contract
   C. The seller's rejection terminated the offer, so no contract has been formed
   D. The seller's acceptance revived the buyer's offer and created a contract

56. A security that is required to be registered by federal law must be registered with the:
   A. Federal Deposit Insurance Corporation
   B. Federal Housing Administration
   C. Department of Treasury
   D. Securities and Exchange Commission

57. Which of the following would NOT be a way for the local government to regulate or take control of privately owned property?
   A. Ad valorem taxation
   B. Zoning
   C. Condemnation
   D. Escheat

58. Zoning in an area has been changed from mixed use to residential only. An existing store that previously conformed to the zoning is no longer in compliance. This conflicting use is:
   A. illegal
   B. a variance
   C. a nonconforming use
   D. an example of spot zoning

59. Under which of the following circumstances would a contract be considered void?
   A. The objective of the contract is illegal
   B. The seller signed under duress
   C. The buyer made misrepresentations to the seller
   D. The buyer's decision to buy was the result of undue influence

60. A seller realized $112,000 from the sale of her home. She paid a 6% commission, $2,450 in discount points, and $1,236 in other closing costs. How much did the property sell for?
   A. $118,720
   B. $122,405
   C. $123,070
   D. $125,250

61. The proper exercise of the state's police power can be used to accomplish all of the following, EXCEPT:
   A. rent control
   B. land use control
   C. fire ordinances
   D. condemnation
62. S owns a small commercial building. She later sells a 50% interest to her friend J. S and J hold title as:
   A. joint tenants
   B. tenants in severalty
   C. tenants in common
   D. community property

63. While using the sales comparison (market data) approach to value, an appraiser finds three comparable properties that recently sold for $195,000, $202,000, and $207,000 respectively. In order to determine what the comparables indicate about the value of the subject property, the appraiser should:
   A. add the three sales prices together and divide by three for an average selling price
   B. emphasize the middle property, as it represents the middle range of the value spectrum
   C. make adjustments for the differences between the comparable properties and the subject property
   D. ignore the comparables, because the difference between their selling prices is too great

64. The Ms want to build a garage on their property but their plans don't meet the local zoning law's setback requirements. In order to build the garage, they must apply for a:
   A. nonconforming use
   B. conditional use
   C. variance
   D. downzoning

65. A borrower secures a mortgage loan in the amount of $95,000, with semiannual interest payments of $4,275. What was the interest rate charged by the lender?
   A. 7.75%
   B. 8%
   C. 8.5%
   D. 9%

66. Broker S has terminated his management agreement with an owner. What is Broker S required to do with the tenant's security deposits?
   A. Deliver them to the owner or to the new property manager
   B. Refund a pro rata share to the tenants
   C. Keep a portion of the deposits for himself to cover expenses, and then refund the balance to the tenants
   D. Keep the deposits he has collected and refund them to tenants as their leases expire

67. R buys a home in the Island View subdivision. The subdivision's CC&Rs require all fences to be of natural cedar, but several property owners have painted their fences over the years. When R paints his fence, his neighbor sues for violation of the CC&Rs. The judge allows the painted fence to stay because:
   A. the restriction has been abandoned
   B. the restriction was not reasonable and therefore was unenforceable
   C. zoning restrictions allow such fencing
   D. the restriction violates public policy
68. A house with an apartment above the garage is sold on March 5, with the closing scheduled for March 20. The apartment rents for $600 per month, due on the first of the month. At the time of the sale the rent is current. The escrow agent is using a 360-day year, and the parties agree that the seller receives rent for the day of closing. Which of the following statements about proration of the current month's rent is CORRECT?
   A. The buyer owes the seller $200
   B. The buyer owes the seller $400
   C. The seller owes the buyer $200
   D. The seller owes the buyer $400

69. Z failed to pay a contractor for labor and materials in the repair of her home. This may result in a/an:
   A. construction lien
   B. general lien
   C. penalty lien
   D. assessment lien

70. Which of the following would NOT result in the termination of an easement appurtenant?
   A. Grantor of easement dies
   B. Purpose of easement terminates
   C. Servient tenant buys dominant tenement
   D. Mutual agreement

71. When a lender forecloses on a life estate, what kind of title does the lender acquire?
   A. Life estate
   B. Fee simple
   C. Fee simple qualified
   D. Equitable

72. A parcel of land has dimensions of 940 feet by 1,660 feet. Twenty-two percent of the parcel is to be dedicated to the public for schools and roads. The remaining land is subdivided into one-quarter acre lots. How many lots would there be?
   A. 94
   B. 101
   C. 108
   D. 111

73. Each of the following applies to appurtenances, EXCEPT:
   A. water rights
   B. reversion
   C. rights of way
   D. privileges

74. R owns three pieces of real estate in King County. If a judgment is entered against her in King County, it will create a lien against:
   A. all three properties
   B. the property acquired last
   C. the property acquired first
   D. homestead property only
75. L owns the six-unit apartment building in which he lives. According to the Federal Fair Housing Act, as amended in 1988, L may enforce which of the following rules?
   A. A no pets policy, which includes seeing eye dogs
   B. Tenants must be married couples with children
   C. Handicapped tenants who modify their units must restore them to their original state at the end of the lease
   D. Families with children must pay a higher security deposit

76. A major department store leases a large space in a local mall, and it agrees to pay the mall owner, in addition to a base rent, a percentage of its gross earnings. What kind of lease has the store entered into?
   A. A percentage lease
   B. A gross lease
   C. A net lease
   D. A ground lease

77. The greatest ownership rights one can have in real estate are referred to as a:
   A. leasehold estate
   B. life estate
   C. fee simple conditional
   D. fee simple absolute

78. Which of the following situations would be exempt from the Federal Fair Housing Act of 1968? Discriminatory conduct in the:
   A. rental of one bedroom in an owner-occupied single-family dwelling
   B. rental of a unit in a 50-unit apartment building financed without government assistance
   C. sale of a six-unit apartment building
   D. rental of rooms in a non-profit organization's commercially operated motel

79. An owner whose property is landlocked would request that a court award him:
   A. a deed from the grantor
   B. title by adverse possession
   C. an easement by necessity
   D. a license to cross neighboring lands

80. The grantee of a deed discovers a cloud on the title. The grantee is most likely to prevail in a lawsuit if the grantor gave a:
   A. general warranty deed
   B. special warranty deed
   C. quitclaim deed
   D. trustee's deed

81. An eight-year-old property was recently appraised at $125,000. It has depreciated 35% since it was built. What was it originally worth?
   A. $168,750
   B. $175,456
   C. $192,308
   D. $199,119
82. Under the Real Estate Settlement Procedures Act (RESPA), which of the following would be an illegal kickback?
   A. One broker pays a referral fee to another broker
   B. A mortgage company pays a lawyer a fee for preparing the documentation
   C. A mortgage company pays a referral fee to a real estate broker for referring a buyer to the mortgage company
   D. The listing broker shares her commission with the selling broker

83. J receives a deed from K for some raw land in the country. Less than a year later, W files a lawsuit against J, claiming that she, not K, was the true owner of the property at the time of the conveyance. W's lawsuit is called a:
   A. quiet title action
   B. suit for eminent domain
   C. partition action
   D. suit for injunction

84. A home that accumulates ash and endures noxious odors because it is situated near an industrial neighborhood is suffering from:
   A. external obsolescence
   B. functional obsolescence
   C. physical deterioration
   D. directional growth

85. When a transaction is finalized, the buyer and the seller are each entitled to a copy of the:
   A. listing agreement
   B. final estimate of the buyer's closing costs
   C. breakdown of the costs of sale for the seller
   D. settlement statement

86. M enters into a purchase and sale agreement that calls for a base purchase price of $100,000 for the home and one acre of land, plus $15,000 for each additional acre, with the total area of the land to be identified by a survey. It is determined that there is a total of 7.3 acres. What is M's purchase price?
   A. $194,500
   B. $209,500
   C. $214,000
   D. $221,000

87. An individual has an income-producing property for sale that generates $64,250 in gross earnings. The property has $24,360 in operating expenses and credit and vacancy losses. With a 10% capitalization rate, how much could an investor afford to pay for the property?
   A. $390,500
   B. $398,900
   C. $402,400
   D. $404,700
88. Easements, rights of way, and other rights and privileges that go along with land ownership are:
   A. licenses
   B. appurtenances
   C. encroachments
   D. setbacks

89. A tenant under a net lease will pay which of the following?
   A. Interest on the mortgage
   B. Principal on the mortgage
   C. Capital gains tax
   D. Property taxes

90. A property owner's financial advisor, on learning that his client's apartment complex is no longer profitable, advises the client to change the apartments into condominiums. The process of changing apartments into condominiums is called:
   A. capitalization
   B. reformation
   C. orientation
   D. conversion
**Answer Key**

1. **D**  
   Explanation: Also called the sales comparison method, the market data method is the only reliable approach to determining the value of an older residence.

2. **B**  
   Explanation: This is a safety measure that will prevent the husband from making a claim against the new owner's title at a later date.

3. **C**  
   Explanation: This is a definition of equity.

4. **C**  
   Explanation: The legal proceeding for evicting a tenant is called an unlawful detainer action. If the court finds in favor of the landlord, it will issue a writ of possession, directing the sheriff to restore possession of the property to the landlord.

5. **A**  
   Explanation: What the seller is asking is a violation of the Federal Fair Housing Act. The broker must refuse the listing unless she is allowed to show the home to anyone interested in seeing it.

6. **C**  
   Explanation: The appraiser must (1) estimate the cost of replacing the improvements; (2) deduct for depreciation; and (3) add the land value.

7. **C**  
   Explanation: The loan-to-value ratio (LTV) represents the relationship between the loan amount and the value of the property serving as security for the loan.

8. **D**  
   Explanation: An item is considered incorporated into real property when it is permanently attached to the property. The value or lifespan of the item is not taken into consideration.

9. **D**  
   Explanation: The individual named in the will to manage the disposition of the decedent's estate is called an executor.

10. **B**  
    Explanation: A special warranty deed has the same covenants as a general warranty deed, but it limits them to the period the grantor owned the property. Any title defect caused by a previous owner would not be covered by the deed's warranties. (A quitclaim deed has no covenants.)
11. D
Explanation: The mortgagee's title policy is an extended coverage policy. It protects the lender against undiscovered title defects, as well as problems that could only be revealed by a physical inspection of the property.

12. B
Explanation: $350,000 \times 6\% = $21,000. $125,000 \times 8\% = $10,000. $21,000 + $10,000 = $31,000 \text{ (total management fee)}.

13. B
Explanation: The condominium owner has a separate interest in her unit and an undivided interest in the common areas.

14. B
Explanation: The security instrument (a mortgage or a deed of trust) makes the borrower's property collateral for the loan, giving the lender the right to foreclose on the property if the borrower fails to repay the loan as agreed.

15. C
Explanation: The problem is internal to the property, but it is not physical wear and tear (deferred maintenance). It is functional obsolescence.

16. C
Explanation: Once the optionee agrees to complete the purchase (exercises the option to buy), the agreement becomes bilateral and both parties are obligated to perform.

17. A
Explanation: If the agent claims to be the agent for the buyer, then her actions and loyalties must support that claim.

18. A
Explanation: The interest paid on real estate loans is simple interest.

19. C
Explanation: T should request and obtain a release from the lender. This usually involves requiring the buyer to apply for loan assumption approval from the lender.

20. D
Explanation: Recording a document or taking possession of the property constitutes constructive notice of the interest acquired. Telling someone about a recent sale to another constitutes actual notice.

21. A
Explanation: Any change should be put in writing and signed by all parties to the contract. An amendment modifies a contract’s original terms. An addendum is a part of the original agreement.
22. C
Explanation: Blanket mortgages and trust deeds frequently contain release clauses that permit the release of portions of the secured property on payment of a predetermined portion of the debt.

23. A
Explanation: Discount points are a percentage of the loan amount, not the sales price.

24. B
Explanation: The federal tax code allows for the recovery of the cost of replacing an asset that will wear out. This is commonly known as a depreciation deduction, although the tax code refers to it as a cost recovery deduction.

25. D
Explanation: Someone who receives real property by will is a devisee; the recipient of personal property by will is a legatee.

26. C
Explanation: An institutional loan that is not insured or guaranteed by a federal agency is a conventional loan.

27. D
Explanation: The graduated payments start at what is usually a below-market rate and then annually increase until they reach a predetermined level. After that, they remain constant for the remainder of the loan's term.

28. C
Explanation: An unambiguous offer and an unqualified acceptance are essential to a valid contract of any kind. This is also called mutual consent.

29. C
Explanation: The Truth in Lending Act's rescission right applies to a home equity loan (a mortgage loan that is not used to purchase the property). The Truth in Lending Act doesn't apply to commercial loans at all.

30. C
Explanation: She must deposit the money in her trust account or in an authorized escrow account, such as one maintained by the closing agent.

31. B
Explanation: With an exclusive right to sell listing, the real estate firm is guaranteed a commission if anyone sells the property during the listing period. If it had been an exclusive agency listing, the homeowner would not have been obligated to pay a commission after selling the property himself.
32. A
Explanation: K's mother's interest is a life estate, since it reverts to K after K's mother's death. K's interest is a reversionary interest since possession will return to K upon the death of the grantee.

33. B
Explanation: Blockbusting is the act of inducing owners to list or sell their homes by predicting that members of another race or ethnic group, or people with disabilities, will be moving into the neighborhood.

34. D
Explanation: All of the owners of a property should sign the listing agreement. In addition, the spouses of any married owners should sign the agreement, even if they probably do not have any ownership interest. The salesperson can sign the listing agreement on behalf of the broker.

35. C
Explanation: This kind of advice amounts to legal advice, which a broker cannot give.

36. A
Explanation: The broker is not entitled to a commission when the seller rejects an offer that doesn't meet the seller's terms. He has earned a commission if the seller accepts the buyer's offer, even if it's low. And of course, if the seller rejects an offer that meets his terms, the broker has still earned a commission.

37. C
Explanation: A novation involves a release from liability. (If it were an assignment, by contrast, the vet would retain secondary liability.)

38. C
Explanation: M must present all three offers to R, or M will be subject to disciplinary action. Only R can decide which offers are or are not acceptable.

39. B
Explanation: This is a definition of amortization.

40. D
Explanation: A metes and bounds description starts at a point of beginning, and then describes the length and direction of each edge of the property's boundary.

41. C
Explanation: When the brother dies, the creditors can't attach the rental property because it has passed to the sister. It is not a part of the brother's estate.

42. A
Explanation: The principle of regression holds that a valuable property surrounded by properties of lesser value will tend to be worth less because of its association with the less valuable properties.
43. A  
Explanation: Multiply the loan balance by the interest rate to get the annual interest ($149,000 × 8.5\% = $12,665). Divide the annual interest by 12 months ($12,665 ÷ 12 = $1,055.42). Subtract the monthly interest from the total payment ($1,200 – $1,055.42 = $144.58) to get the principal reduction amount.

44. C  
Explanation: The period during which the improvements contribute to the productivity of the property is called its economic life or its useful life.

45. B  
Explanation: With joint tenancy goes the right of survivorship.

46. A  
Explanation: For a deed to convey title, it must be delivered to the grantee by the grantor and it must be accepted by the grantee.

47. D  
Explanation: Market value is also called fair market value, value in exchange, or objective value.

48. A  
Explanation: The interest rate of an ARM will change in response to changes in the particular index selected by the lender.

49. C  
Explanation: An agency relationship may be created either orally or in writing. This means that an agent could not escape the responsibilities and liabilities of an agency relationship by claiming that the agreement was not in writing.

50. C  
Explanation: Actual fraud is deliberate. A misrepresentation is constructive fraud if the inaccurate information was innocently imparted.

51. D  
Explanation: The optionee (purchaser) can elect not to perform. But if she decides to perform, she can compel the optionor (seller) to sell. Options can be assigned by the optionee without the optionor's permission, unless the option money is in the form of a promissory note.

52. B  
Explanation: The term ad valorem is Latin for "according to value." Sometimes general property taxes are referred to as ad valorem taxes.
53. D
Explanation: Zoning and private restrictions help ensure that neighboring land uses are compatible, which promotes harmony between neighboring landowners.

54. C
Explanation: The buyer has an equitable interest in the land as long as there is a debt against the property. When the final payment has been made, legal title is passed to the buyer with a warranty deed.

55. C
Explanation: The original offer was terminated when the seller rejected it. He cannot later change his mind and accept it. No contract was formed.

56. D
Explanation: Securities (such as shares in a corporation or an REIT) are regulated by the federal government through the Securities and Exchange Commission.

57. A
Explanation: Ad valorem taxation is property taxation. While the tax burdens the owner’s title, the government doesn't take control of the land. Options B, C, and D are ways the government can regulate or acquire private property.

58. C
Explanation: The store is a legal nonconforming use; however, the use cannot be enlarged, resumed after being discontinued, or rebuilt after being destroyed (by fire, for example).

59. A
Explanation: If one of the four contract essentials (capacity, mutual consent, lawful objective, and consideration) is totally missing, the contract is void. In this case, there was no lawful objective.

60. C
Explanation: Add the settlement costs to the seller's net: $112,000 + $3,686 (settlement costs of $2,450 + $1,236) = $115,686. This amount is 94% of the sales price (100% – 6% commission = 94%). $115,686 ÷ 94% = $123,070.21 (sales price).

61. D
Explanation: Options A, B, and C refer to different types of government regulation, which is an exercise of the police power. Option D refers to the taking of private property for a public use, which is an exercise of the power of eminent domain.

62. C
Explanation: The only possible way for S and J to hold title is as tenants in common, because joint tenants must take title in the same deed at the same time, and S and J didn't do that. Ownership in severalty is title held by one person, and community property is title shared by a married couple.
63.  C  
Explanation: The appraiser should make adjustments for the differences. The adjustments are 
made to each comparable’s price, so that it represents what the comparable would be worth if it 
were just like the subject property.

64.  C  
Explanation: A variance will enable the Ms to make a minor deviation from zoning requirements. It 
will be allowed only if the Ms face an undue hardship because of the zoning law and if the 
variance will not change the neighborhood’s essential character.

65.  D  
Explanation: Multiply the semiannual payments by two to get the annual interest ($4,275 × 2 = 
$8,550). Divide the annual interest by the loan amount to get the interest rate ($8,550 ÷ $95,000
= .09, or 9%).

66.  A  
Explanation: The broker would transfer the deposits to the owner or to a new property manager 
so they would be available for their appropriate disposition when the leases terminate.

67.  A  
Explanation: Because Island View homeowners were not enforcing the restriction before R 
painted his fence, the judge rules that the restriction has been abandoned.

68.  C  
Explanation: The seller owned the property for two-thirds of the month and is entitled to two-thirds 
of the rent. The balance of $200 belongs to the buyer.

69.  A  
Explanation: A construction lien is a lien on property in favor of someone who provided labor or 
materials to improve it, but who has not been paid. It is also called a mechanic's lien.

70.  A  
Explanation: Once the easement is in place, it is permanent. The death of the easement grantor 
will not affect it.

71.  A  
Explanation: The lender can't get any more from the borrower than the borrower has, which in 
this case is a life estate.

72.  D  
Explanation: 940' × 1660' = 1,560,400 square feet. 1,560,400 – 22% = 1,217,112 (square feet 
after dedications). 1,217,112 ÷ 43,560 (square feet in an acre) = 27.94 (acres) × 4 (lots per acre) 
= 111.76 lots.
73. B
Explanation: Appurtenances are the rights, privileges, and improvements that are legally attached to the land. Reversion refers to a future interest in land (an estate in reversion) or to a landlord's interest at the conclusion of a lease.

74. A
Explanation: As a general, involuntary lien, a judgment lien attaches to all property owned by the debtor in the county where the judgment was entered.

75. C
Explanation: Handicapped tenants must be allowed to modify their units if necessary for their use and enjoyment of the premises, but they can be required to restore the units to their original condition at the end of the lease.

76. A
Explanation: This is a percentage lease. Percentage leases are most common in shopping centers.

77. D
Explanation: The fee simple estate is the highest and most complete form of ownership, and it is of potentially infinite duration.

78. A
Explanation: The owner of rental property can rent on a discriminatory basis, provided the property has four units or less and he or she occupies one of the units. (This is sometimes called the "Mrs. Murphy" exemption.) A real estate broker can't be used to market the property, and there can be no discriminatory advertising.

79. C
Explanation: An easement by necessity (also known as easement by implication) would be granted if the property conveyed is landlocked and totally useless without the easement.

80. A
Explanation: A general warranty deed gives the greatest protection to a real estate buyer. In a general warranty deed, the grantor makes promises that warrant against defects in the title that arose either before or during the grantor's period of ownership.

81. C
Explanation: A property that has depreciated by 35% is worth 65% of its original value (100% – 35% = 65%). $125,000 (what it is worth now) ÷ 65% = $192,308 (what it was worth then).

82. C
Explanation: Before RESPA, two parties involved in closing real estate transactions (for example, a mortgage lender and a real estate broker) would sometimes enter into kickback agreements. One party would agree to pay a kickback if the other required its customers to use the first party's services. This is now illegal, because investigations by HUD concluded such arrangements cost consumers more money.
83. A  
Explanation: A quiet title action is a lawsuit to determine who has title to a piece of real property.

84. A  
Explanation: External obsolescence is a loss in value resulting from factors outside the property itself, in this case because of the property’s proximity to an industrial neighborhood. It is also called economic obsolescence.

85. D  
Explanation: Each party is entitled to a copy of his or her own settlement statement, but neither is entitled to know the other’s closing costs. Only the seller is entitled to a copy of the listing agreement.

86. A  
Explanation: The house and one acre cost $100,000. That means there are 6.3 acres remaining at $15,000 each. $15,000 \times 6.3 = $94,500, to which you add $100,000 for a total of $194,500.

87. B  
Explanation: $64,250 – $24,360 = $39,890 (net income). Divide $39,890 by the 10% capitalization rate for a value of $398,900.

88. B  
Explanation: Easements for ingress and egress (the right to go to and from your land across the land of another) and other rights and privileges connected to land are called appurtenances. They are appurtenant (legally attached) to your land.

89. D  
Explanation: The tenant pays a base rent plus his share of the operating expenses, including property taxes, insurance, and maintenance.

90. D  
Explanation: Changing apartments into condominiums is called conversion.