Real Estate Principles Mid-Term

1. The Uniform Vendor and Purchaser Risk Act will apply to a real estate transaction:
   A. only if there is a risk clause in the contract
   B. unless there is a risk clause in the contract
   C. if the buyer will be taking possession on some day other than the closing day
   D. if there are undisclosed liens or encumbrances on the property

2. What does the term "escheat" refer to?
   A. Revocation of an agent's license
   B. Commission of constructive fraud
   C. Reversion of property to the state
   D. Reconveyance of legal title under a deed of trust

3. Earl and Merle own a property together with undivided interests, without the right of survivorship. This would be considered:
   A. joint tenancy
   B. tenancy in common
   C. severalty
   D. a periodic estate

4. A non-riparian owner is given permission by the state to use water from a nearby lake. This right is known as:
   A. takings
   B. percolation
   C. the rule of capture
   D. appropriation

5. A quiet title action is a/an:
   A. purchase of property through a dummy transaction
   B. ejectment of a tenant for failure to pay rent
   C. judicial foreclosure action
   D. court procedure to remove a cloud on a title

6. The sheet metal used on a roof to prevent water seepage is called:
   A. gutter
   B. lath
   C. insulation
   D. flashing

7. A broker misrepresented his principal's property when showing it to a buyer. The actions of the broker may subject his principal to:
   A. rescission of the sale by the buyer
   B. court action for damages resulting from fraud
   C. civil liability for the broker's misrepresentations
   D. All of the above
8. A buyer of a property fulfilled his part of the contract and then requested the seller to convey title. The seller refused to do so. By fulfilling his part of the contract and asking the seller to perform, the buyer made a:
   A. breach
   B. tender
   C. warranty
   D. demand

9. How many square miles are in one township?
   A. 1
   B. 6
   C. 36
   D. 43,560

10. The Thompsons homesteaded their residence, which had a market value of $239,000 and a deed of trust against it for $220,000. A contractor who built a deck for them filed a mechanic's lien after the property was homesteaded. The lien is:
    A. enforceable because mechanic's liens take priority over homestead exemptions
    B. not enforceable because homesteaded properties are exempt from mechanic's liens
    C. not enforceable because the equity in the house is less than the homestead exemption
    D. enforceable because the equity in the house is less than the homestead exemption

11. Which of the following easements runs with the land and is binding on all subsequent owners?
    A. Easement appurtenant
    B. Easement in gross
    C. Prescriptive easement
    D. Easement by implication

12. Which of the following forms of co-ownership is characterized by equal interests and the right of survivorship?
    A. Joint tenancy
    B. Tenancy in common
    C. Severalty
    D. Life estate

13. City building codes are designed primarily to establish:
    A. sideyard and setback requirements for buildings
    B. minimum construction standards for buildings within the city
    C. occupancy requirements for apartment buildings and hotels
    D. health and safety standards for areas where the state Housing Act does not apply

14. Which of the following statements concerning estates is correct?
    A. A life estate is a leasehold estate
    B. An estate may be held with another estate in the same property
    C. Title to an estate must pass using a grant deed
    D. An estate always gives the right of immediate possession
15. A person who is authorized to act legally for another person is a/an:
   A. attorney in fact
   B. fiduciary
   C. power of attorney
   D. principal

16. A life estate is a form of:
   A. freehold estate
   B. fee simple estate
   C. leasehold estate
   D. estate at will

17. Which of the following is not a lien against real property?
   A. Unpaid real property taxes
   B. Recorded private restrictions
   C. A special assessment bond for street improvements
   D. A recorded abstract of judgment

18. Daniel injured himself while swimming in Petra's pool. If Daniel sued Petra and received a $2,500 judgment in his favor, the resulting lien would be a/an:
   A. voluntary lien
   B. general lien
   C. specific lien
   D. equitable lien

19. Which of the following is a true statement regarding buyer agency?
   A. The agent does not represent the seller or the listing agent, and will therefore not be liable for their misconduct
   B. The buyer's agent owes the duties of loyalty and confidentiality to both parties
   C. A buyer's agency agreement is created as part of the listing agreement
   D. A buyer's agent cannot be compensated if the buyer purchases a property that is not listed by a broker

20. A seller's agent owes which of the following duties to the buyer?
   A. The duty of confidentiality
   B. Only the duty to disclose latent defects
   C. The duty of honesty and good faith
   D. All of the same fiduciary duties

21. Which of the following items would be considered a part of a condominium unit, instead of a common element?
   A. Bearing walls
   B. Central heating system
   C. Elevator
   D. None of the above
22. Which of the following is not a way in which an agency can be created?
   A. By express agreement
   B. By implication
   C. By prescription
   D. By ratification

23. Which of the following statements regarding the government survey method is correct?
   A. Ranges are numbered north and south from the base line
   B. Township lines run east-west
   C. Township lines are numbered based on a principal meridian
   D. Range lines run east-west

24. The principal purpose of a deed is to:
   A. provide evidence of the terms of a real property transaction
   B. identify the parties to a transfer of real property
   C. provide evidence of a change in title or transfer of an interest in real property
   D. provide written notice of a transaction so that it can be recorded

25. A legal description reads: “Beginning at the NW corner of Ash and Elm, then continuing north
   40 feet along Elm, then due west for 100 feet, then south 40 feet to Ash, and then east for 100
   feet along Ash to the point of beginning.” Which type of legal description is this?
   A. Government survey
   B. Metes and bounds
   C. Lot and block
   D. Torrens system

26. Compared to other investments, real property takes more time and effort to invest in, and
   must be purchased in more expensive units. Therefore, its return should be:
   A. higher than the return on bonds or first trust deeds
   B. higher than the return on bonds, but lower than the return on first trust deeds
   C. about the same as the return on bonds
   D. less than the return on bonds or first trust deeds

27. All of the following goals are accomplished through zoning regulations, except:
   A. promotion of orderly suburban expansion
   B. control of design of buildings and methods of building construction
   C. protection of agricultural land from encroachment by other uses
   D. prohibition of undesirable uses in certain areas

28. Insurance involves:
   A. protecting the insured against loss
   B. transferring the risk of loss from an insured to an insurance company
   C. payment of premiums in return for coverage in the event of a loss
   D. All of the above
29. A mechanic's lien on several properties is an example of a:
   A. writ of attachment
   B. judgment lien
   C. general lien
   D. specific lien

30. Effective delivery of a deed depends on:
   A. the intention of the grantor
   B. acknowledgment of the deed
   C. recordation of the deed
   D. signature of the deed in the presence of a notary public

31. The law that requires a deed to be in writing is the:
   A. statute of limitations
   B. statute of frauds
   C. Uniform Commercial Code
   D. parol evidence rule

32. A contract signed under duress would be:
   A. void
   B. voidable
   C. illegal
   D. valid

33. An exclusive listing agreement is:
   A. a bilateral executory contract
   B. an employment contract
   C. a promise for a promise
   D. All of the above

34. When a purchase and sale agreement contains a time is of the essence clause, if the buyer fails to meet a deadline set in the contract:
   A. the contract remains in effect for a reasonable time after the deadline
   B. the seller can treat the missed deadline as a breach of contract
   C. the seller is required to sign an amendment extending the contract
   D. the contract is automatically extended for two weeks

35. A salesperson's contract states that she is an independent contractor. When she obtains a listing, she is:
   A. an agent for the buyer
   B. an agent for the owner
   C. a dual agent for the owner and the buyer
   D. None of the above
36. Which of the following is the customary method through which a buyer's agent may be compensated?
   A. Hourly rate
   B. Commission split with listing agent
   C. Flat fee paid by buyer
   D. Percentage of sales price, paid by buyer

37. Which of the following is not a consideration in determining whether or not an item is a fixture?
   A. Relationship between parties
   B. Intention of parties
   C. Manner of annexation
   D. Time of annexation

38. A seller's counteroffer:
   A. terminates the original offer
   B. is illegal in a real estate transaction
   C. binds the buyer if made before the deadline for acceptance of the original offer
   D. cannot be revoked by the counterofferor (the seller)

39. Which of the following rights are included within the owner's "bundle of rights?"
   A. The right to use the property with absolute authority
   B. The right to take title to adjacent property through adverse possession
   C. The right to use, will, or sell property, subject to encumbrances and public restrictions
   D. All of the above

40. All of the following are appurtenances, EXCEPT:
   A. trade fixtures
   B. water rights
   C. mineral rights
   D. buildings

41. In which of the following ways are joint tenancy and community property similar?
   A. Both are limited to husband and wife
   B. Both involve the right of survivorship
   C. Both involve equal ownership interests
   D. Both require the signature of all parties to sell the property

42. When does reversion become effective? At the end of a:
   A. fee simple defeasible estate
   B. fee simple qualified estate
   C. life estate
   D. joint tenancy
43. Which of the following statements about condominiums is false?
A. A condominium owner has an estate in real property
B. A condominium owner has an undivided interest in real property plus a separate interest in a unit within that real property
C. A condominium owner has an estate for years
D. A condominium may be commercial or industrial

44. When a lease is assigned:
A. it is the same as a sublease
B. the original lessee will still possess the property
C. the new lessee assumes secondary liability for rental payments
D. the entire leasehold is transferred

45. As a rule, which of the following would NOT be exempt from ad valorem (general property) taxes?
A. State-owned land
B. A private university
C. Church-owned property
D. Vacant land

46. Land use controls, master planning, and zoning are important examples of:
A. police power
B. eminent domain
C. deed restrictions
D. All of the above

47. A remedy that can compel a person who has defaulted on a contract to execute a deed for real property is:
A. equitable redemption
B. liquidated damages
C. rescission
D. specific performance

48. An exception to the zoning granted by a planning commission would be known as a:
A. spot zone
B. nonconforming use
C. rezone
D. variance

49. What is the main difference between real property taxes and special assessment bonds?
A. In terms of lien priority, assessments are subordinate to property tax liens
B. Special assessments are used to pay for local improvements, not ongoing government operations
C. Special assessments may be levied only by special improvement districts
D. A special assessment is levied according to each property's value
50. Which of the following is not a method of sharing ownership of an entire property?
   A. Community property
   B. Easement appurtenant
   C. Joint tenancy
   D. Tenancy in common
Answer Key with Explanations

1. B
Explanation: Ordinarily, the Uniform Vendor and Purchaser Risk Act will state that the risk of loss is held by the seller until the transfer of possession to the buyer. However, the parties may include a risk clause in the deposit receipt which may assign the risk differently.

2. C
Explanation: If a person dies intestate and without any heirs, that person's property will escheat to the state.

3. B
Explanation: Tenancy in common is the form of co-ownership with no right of survivorship.

4. D
Explanation: Under the prior appropriation system, an owner of landlocked property may receive the right to take water from a distant source for a particular beneficial use (usually irrigation).

5. D
Explanation: A quiet title action is a legal procedure to resolve a dispute concerning ownership of a property, in order to clear a cloud on the title.

6. D
Explanation: Flashing is sheet metal (or other material) used to protect and deflect water from areas in a roof with joints and angles, such as around a chimney.

7. D
Explanation: A principal is liable for the actions of his agent when the agent is acting within the scope of his authority. Therefore, the principal is subject to civil suit for any damages that result from the fraudulent misrepresentation. The buyer may also have the transaction rescinded.

8. B
Explanation: When one party to a contract unconditionally performs or offers to perform, that is known as a tender. It is a necessary step before taking legal action against the other party for failure to perform.

9. C
Explanation: A township contains 36 square miles. It contains 36 sections, each of which is one square mile.

10. A
Explanation: Mechanic's liens are not subject to homestead exemptions. An owner of homesteaded property would have no protection against foreclosure because of a mechanic's lien.
11. A
Explanation: An easement appurtenant runs with the land. Subsequent servient tenants are bound to honor the easement.

12. A
Explanation: Joint tenancy includes the right of survivorship, and requires that all parties have equal interests in the property.

13. B
Explanation: Building codes are used to establish construction standards. Zoning laws establish setback and sideyard requirements.

14. B
Explanation: A common example of two estates being held in the same property is when a landlord leases her property. The owner continues to have a freehold estate, while the tenant has a leasehold estate.

15. A
Explanation: An attorney in fact is authorized through an instrument called a power of attorney to represent another person.

16. A
Explanation: A life estate is a freehold estate. However, it is not a type of fee simple estate.

17. B
Explanation: Private restrictions are an encumbrance against real property. However, they affect use and do not reflect a financial interest in the property, so they are not liens.

18. B
Explanation: A judgment lien is a general lien; it will attach to all property belonging to the judgment debtor within the county where the lawsuit occurred.

19. A
Explanation: A buyer’s agent represents only the buyer, not the seller or the seller’s agent. He is not liable for anything done by the seller or seller’s agent.

20. C
Explanation: A seller’s agent owes the buyer the duty of fair and honest dealing. While this includes the duty to disclose latent defects, it encompasses honesty in all dealings with the buyer.

21. D
Explanation: None of the above items would be part of a unit. The unit owner’s separate property is only that which is inside the unit’s boundaries. All of the listed items are part of the condominium building itself.
22. C
Explanation: Prescription is a means of creating an easement, not an agency relationship. Express agreement, implication, and ratification are all means of creating an agency.

23. B
Explanation: Township lines are east-west; range lines are north-south. Township lines are based on a base line, while range lines are based on a principal meridian.

24. C
Explanation: A deed is a document used by a private landowner to transfer title to someone else. It generally does not specify the terms of the transaction.

25. B
Explanation: A metes and bounds description will describe the property using the length and direction of the property's boundaries.

26. A
Explanation: Because real property is more expensive and less liquid, it is considered riskier than other types of investments. Therefore, investors expect a higher return, or yield, from real property than from other investments.

27. B
Explanation: Design of buildings and methods of building construction are regulated through building codes, not through zoning regulations.

28. D
Explanation: These are all aspects of insurance.

29. D
Explanation: A mechanic's lien is always a specific lien, since it attaches only to a property or properties for which labor or material were provided.

30. A
Explanation: For delivery to be effective, the grantor must have the intention of immediately transferring title to the grantee.

31. B
Explanation: The statute of frauds is a law that requires certain types of documents to be in writing and signed in order to be enforceable.

32. B
Explanation: A contract signed under duress is voidable. This means that the wronged party has the option of rescinding the contract or enforcing the contract against the other party.
33. D
Explanation: An exclusive listing agreement contains a promise for a promise, which means that it is a bilateral contract. And any listing agreement is a written employment agreement between broker and seller.

34. B
Explanation: A time is of the essence clause means that deadlines are an essential part of the contract. If one party fails to meet a deadline, the other party can treat that as a breach of contract. (Alternatively, the parties can sign an amendment setting a new deadline.)

35. D
Explanation: The salesperson's broker is the agent of the owner. The salesperson, in turn, is an agent of the broker. The fact that she is an independent contractor does not affect the agency relationships.

36. B
Explanation: In most cases, a buyer's agent will be paid through a commission split, in which the buyer's agent receives a portion of the commission paid to the listing agent. All of the other options are allowable, but commonly used only if buying a property not listed with an MLS.

37. D
Explanation: Time of annexation is not a fixture test; method of attachment, relationship of parties, and intention all are fixture tests.

38. A
Explanation: A seller's counteroffer terminates the buyer's original offer. It represents a new offer from the seller to the buyer, which the buyer can then accept or reject. The counteroffer can be revoked by the seller at any time before he or she is notified that the buyer has accepted it.

39. C
Explanation: While the "bundle of rights" includes the right to possess, use, will, and sell property, these rights are always subject to the interests of the government and other parties.

40. A
Explanation: Trade fixtures are items of personal property installed by a tenant, which may be removed at the conclusion of the lease.

41. C
Explanation: Joint tenancy requires equal interests among joint tenants. Similarly, each spouse has an undivided 50% interest in the couple's community property.

42. C
Explanation: An estate in reversion is a future interest in property that becomes effective at the end of a life estate. When the person who is the measuring life dies, the property reverts to the grantor of the life estate.
43. C
Explanation: A condominium owner owns a freehold interest, not a leasehold interest (of which an estate for years is a common example).

44. D
Explanation: In an assignment, the original lessee (or assignor) does not retain possession, but transfers the entire leasehold. The new lessee (or assignee) is primarily responsible for rental payments, and the assignor is secondarily responsible.

45. D
Explanation: Vacant land would enjoy no exemption.

46. A
Explanation: The broadest power of the government to regulate for the protection of public health, safety, and welfare is the police power. This includes land use controls on the use of private property.

47. D
Explanation: Specific performance is a legal remedy that compels a party to a contract to perform according the terms of the contract. It may be used where real property is at issue, since real property is unique and damages might not enable the victimized party to purchase a similar property.

48. D
Explanation: A variance is permission from the local zoning authority to use property or build a structure in a way that violates the strict terms of the zoning. It is sometimes referred to as a zoning exception.

49. B
Explanation: Special assessments are one-time charges to pay for particular projects. Only those properties that benefit from the project will pay for a special assessment bond. Each property will pay for the special assessment according to the amount of benefit it will receive from the project, rather than according to the value of the property.

50. B
Explanation: An easement appurtenant is not a method of sharing ownership of a property. It is only a right to use another's property for a particular purpose.