

PRACTICE EXAM 1

1. **A title was recorded for a parcel of real property vested in the name of Johan Wilson, a single woman. After her marriage to William Roberts, she executed a deed to the property only in the name of Johan Roberts, a married woman. The discrepancy in the grantor's name is:**
 - A. Valid if William Roberts agrees to it
 - B. A defect on title that may cause title to be vested as tenants in common
 - C. Immaterial if the property is properly describe
 - D. A defect which may cause a cloud on the title

2. **Which contract would be the most difficult for a buyer to obtain financing?**
 - A. Land Contract
 - B. FHA
 - C. VA
 - D. Conventional

3. **When a broker runs an advertisement, the broker must disclose:**
 - A. Last name of the broker
 - B. Name of the broker
 - C. Name of broker and salesperson
 - D. Name of the salesperson

4. **Following in-house sales are true, except:**
 - A. The listing agent can act as a dual agent
 - B. The listing broker can act as a buyer's agent only
 - C. The broker may purchase the property himself
 - D. The seller may represent the seller only

5. **The Federal Housing Administration (FHA) was created primarily:**
 - A. To provide insurance for home loans in the secondary market
 - B. To insure the borrower
 - C. To provide insurance for home loans made by approved lender
 - D. To improve the economy for mortgage bankers

6. **Which of the following loans on a home would probably be made without requiring a down payment from the borrower?**
 - A. VA Loan
 - B. CAL-VET
 - C. FHA
 - D. Conventional

7. **A person who wishes to purchase a home using the Cal-Vet program would send his application to:**
 - A. Department of Real Estate
 - B. Real Estate Commissioner
 - C. Department of Veterans Affairs
 - D. Veterans Administration

8. **The item that would appear on the debit side of a buyer's closing statement would be:**
- A. Purchase Price
 - B. Prepaid Rents
 - C. Mortgage Interest
 - D. Down Payment
9. **When dealing with the public, a broker may not:**
- A. Disclose any of his duties to other agents
 - B. Remain silent concerning material facts about a property known only by himself
 - C. Reject a listing if it is discriminatory or overpriced for minorities
 - D. All of the above
10. **Which of the following is the reason that a real estate agent must keep his principal informed of material facts concerning a pending real estate transaction?**
- A. When the agent is a fiduciary
 - B. When it's printed on the purchase agreement
 - C. When the agent concerned with the commission which seller is paying
 - D. When the broker works only for the seller
11. **A buyer relied upon the fraudulent statement of the seller's agent and was damaged. The seller was unaware of the agent's false statement, and he tried to enforce the agreement. The buyer:**
- A. Could sue the seller for fraud
 - B. Could sue the seller's agent for fraud
 - C. Has sufficient grounds for rescission
 - D. Could do any of the above
12. **Lenders know that the lower the loan-to-value ratio, the higher the:**
- A. Interest Rate
 - B. Risk
 - C. Loan to Value Ratio
 - D. Equity
13. **An offer to purchase a real estate could be terminated in all of the following ways, except:**
- A. Acceptance with a counter offer to the offeror
 - B. Failure to communicate notice of revocation before the other party has communicated his acceptance
 - C. Death of offeree or offeror
 - D. Expiration of time to accept an offer
14. **In which of the following contract will apply if one of the parties agrees not to revoke an offer for a certain period of time:**
- A. Exclusive right to sell listing
 - B. Exclusive agency listing
 - C. Net listing
 - D. An option

15. For Federal Income Tax purpose, the capital expenditures for improvements are:
- A. A percentage depreciated
 - B. Subtracted from the cost basis of the property
 - C. Added to the cost basis of the property and depreciated
 - D. Cannot be depreciated

16. A property sold for \$150,000 in a county which had established a documentary transfer tax rate of \$.55 for each \$500. Of the purchase price of \$150,000, only \$125,000 was subjected to tax. Which of the following is nearest to the tax amount that would have to be paid?

- A. \$165
- B. \$138
- C. \$27
- D. \$139

$$\begin{aligned} \$125,000 / 500 &= 250 \\ \$.55 \times 250 &= \$137.5 \end{aligned}$$

17. Leland uses an 8% capitalization rate for a 40-unit apartment building that generates \$174,000 net income. Which of the following is the most appropriate value of this property?

- A. \$1,400,000
- B. \$1,566,000
- C. \$2,175,000
- D. \$2,170,000

$$\$174,000 / .08 = \$2,175,000$$

18. A broker is negotiating a 25-year commercial lease at a straight annual rental of \$30,000. The broker is to receive a compensation for negotiating this lease as follows: 7% of the annual rental for the first year, 5% of the annual rental for the next four years, 3% of the annual rental for each of the next fifteen years; and 1% of the annual rental for every year thereafter during the term of the lease. By the end of the 19th year, the broker will have received a total commission of most nearly:

- A. \$25,000
- B. \$20,800
- C. \$20,500
- D. \$20,700

$$\begin{aligned} \$30,000 \times 7\% &= \$2,100 \times 1 = \$ 2,100 \\ \$30,000 \times 5\% &= \$1,500 \times 4 = \$ 6,000 \\ \$30,000 \times 3\% &= \$ 900 \times 14 = \$12,600 \\ \text{TOTAL} & & \$20,700 \end{aligned}$$

19. A salesman was to receive a 45% share of a 6% gross commission. He received \$8,100. The property was sold for:

- A. \$300,000
- B. \$200,000
- C. \$280,000
- D. \$400,000

$$\begin{aligned} \$8,100 / 45\% &= \$ 18,000 \\ \$18,000 / 6\% &= \$300,000 \end{aligned}$$

20. **Two brokers agreed to split a 4 ½ % commission on a 50-50 basis on the sale of a property for \$162,500. The listing salesperson agreed to a 50-50 split with his employing broker. What would be the commission amount for the listing salesperson?**

- A. \$3,626.20
- B. \$1,828.13
- C. \$5,400.00
- D. \$4,860.00

$$\begin{aligned} \$162,500 \times 4.5\% &= \$7,312.50 \\ \$7,312.50 \times 50\% &= \$3,656.25 \\ \$3,656.25 \times 50\% &= \$1,828.13 \end{aligned}$$

21. **Buyer Parker paid \$4.40 per square foot to purchase a 20,000 square foot lot. If the parcel is in rectangular shape and 200 feet deep, the approximate cost per front foot would be:**

- A. \$200
- B. \$440
- C. \$880
- D. \$960

$$\begin{aligned} 20,000 / 200 &= 100 \text{ front ft.} \\ 20,000 \times \$4.40 &= \$88,000 \text{ purchase price} \\ \$88,000 / 100 &= \$880 \end{aligned}$$

22. **A deed:**

- A. Does not have to be recorded to transfer title
- B. Has to be recorded to be valid
- C. Has to be acknowledged
- D. Can only be recorded by the lender

23. **Of the following types of deeds, which one would contain no warranties and expressed or implied:**

- A. A will deed
- B. Grant deed
- C. Warranty deed
- D. Quitclaim deed

24. **An easement could be created for what length of time:**

- A. Perpetual
- B. For years
- C. Lifetime
- D. Any of the above

25. **Land that is subject to an easement is said to be:**

- A. Prescriptive easement
- B. Appurtenant to the land
- C. Encumbered
- D. An encroachment

26. **The provision of the Subdivision Map Act is enforced by the:**
- A. Real Estate Commissioner
 - B. Subdivision Land Act
 - C. Planning Commission
 - D. Contractor License Board
27. **Walker hired a construction company to install a swimming pool on their residential premises. In the event of the construction company was unpaid and it was necessary for them to file a lien for the payment of construction, the encumbrance created would be:**
- A. A specific lien
 - B. A general lien
 - C. Attachment lien
 - D. Contractors lien
28. **If no notice of non completion is recorded on an improvement project, anyone can record a mechanics lien within;**
- A. 10 days
 - B. 30 days
 - C. 60 days
 - D. 90 days
29. **When comparing condominiums and rented apartments, which of the following is true?**
- A. Each will receive a separate tax bill.
 - B. The occupier has a fee estate.
 - C. The person who occupies each unit would have an estate in real property.
 - D. None of the above.
30. **In order to operate a competitive, yet profitable business, a real estate broker needs to be concerned with “desk cost.” Which of the following most nearly represents the correct way to calculate the desk cost?**
- A. Divide the total operating expenses of the firm, plus commission
 - B. Divide the total operating expenses of the firm, including salaries, rent, insurance, etc., by the number of salesperson
 - C. Calculate the total monthly gross income and divide by the number of salesperson
 - D. Calculate the total monthly gross income and subtract any losses
31. **Local government laws for the regulation and control of land-use include which of the following?**
- A. Building codes
 - B. Zoning ordinances
 - C. Subdivision ordinances
 - D. All of the above

32. **Broker Hudson had a house listed for sale for nine months without selling it. He knows that the building needs major structural repairs, and he has listed at 10% above its fair market value. He runs an advertisement in a newspaper that says, "Three bedrooms and Victorian Style. You won't believe the price! Move right in. Hudson – XXX-XXXX." This advertisement is bad because:**
- A. It's deceptive and misleading since Hudson knows that the property needs major repairs.
 - B. It is illegal to advertise a property that is over priced
 - C. An overpriced property is a misleading price
 - D. The advertising is misleading and the broker will be liable
33. **A high price, high quality home surrounded by lower price, lower quality properties will suffer loss in value due to:**
- A. Stability
 - B. Conformity
 - C. Progression
 - D. Regression
34. **Which of the following is acceptable response for the agent to seller who has indicated their home is not to be shown to sales of prospects who are members of the ethnic minority group?**
- A. I can show it to anyone I want
 - B. With this condition, we will get a better price and value won't drop
 - C. I cannot accept the listing for your property because of prohibited discrimination
 - D. With unacceptable terms, they won't be interested
35. **Which of the following statements is most nearly true concerning the activities of mortgage companies?**
- A. They prefer to negotiate commercial loans
 - B. They are not regulated by the States
 - C. They prefer negotiating loans which are salable in the secondary market
 - D. They do not insure government loans
36. **The mortgage insurance on a FHA loan:**
- A. Protects the lender in the event of the trustor's death
 - B. Protects the borrower from a fire loss
 - C. Is paid by the lender
 - D. Protects the lender in the event of default
37. **A real estate salesman went into a neighborhood to obtain listings of residential property. He made a presentation that the property value would be reduced by a decline in the quality of schools, and an increase in the crime rate because of the entry of minority groups into the neighborhood. His action was:**
- A. Permissible as long as values do not decrease
 - B. Not illegal as long as the statement is true
 - C. A disciplinary action
 - D. Unlawful only when the Real Estate Commissioner finds out about the representation.

38. **The purpose of the Truth-in-Lending Act is to:**
- A. Regulate charges for credit
 - B. Assure a meaningful disclosure of credit terms
 - C. Establish the maximum monthly payments on a trust deed
 - D. Establish the maximum annual percentage rate
39. **Half a mile by half a mile represents how many acres?**
- A. 80 acres
 - B. 120 acres
 - C. 140 acres
 - D. 160 acres
40. **George Carson is selling time-shares in his Wildacre subdivision. He mailed advertisements to 10,000 people offering them the chance to win a prize, but did not reveal that the person must visit Wildacre and listen to a sales presentation in order to be eligible. All of the prize winners became the owners of Wildacre. Is there anything wrong with this situation:**
- A. No; prizes may be offered at any presentations related to real estate
 - B. Yes; property owners are excluded
 - C. Yes; anyone offering prizes or gifts must reveal any requirements such as an attendance of a sales presentation
 - D. No; if winners become property owners at Wildacre
41. **The appraisal of an income-producing property is made with an as of “given date” to indicate:**
- A. The Market conditions influencing the value of the property at that point in time
 - B. The effective age of the property
 - C. The date of inspection
 - D. The assessed value
42. **Morrison receives a net income of \$675 per month at an annual return rate of 7 ½%. Morrison’s Investment amounted to:**
- A. \$8,100
 - B. \$108,000
 - C. \$10,000
 - D. \$110,000
- | | | |
|-----------------------------|---|-------------|
| $\$675 \times 12$ | = | $\$8,100$ |
| $\$8,100 / 7 \frac{1}{2}\%$ | = | $\$108,000$ |
43. **Which of the following is least correct about in-house sales?**
- A. Brokers cannot sell their own in-house listings
 - B. The broker always works for the seller
 - C. May sell it only to a buyer
 - D. May be sold only from broker to broker
44. **The hardest and yet the most important part in the market data method of appraising is:**
- A. Establishing the value multiplier
 - B. Adjusting for the differences between the comparable properties and the subject property
 - C. Collecting neighbor data
 - D. Finding the unit of comparison

45. **Harrison and David, single people, owned a parcel of real property as joint tenants. Harrison encumbered his interest for \$10,000 and borrowing the amount to pay medical bills without the acknowledgement or consent from David. Shortly thereafter, Harrison died with the debt still unpaid. Which of the following would be true?**
- A. David becomes the owner but subject to pay the \$10,000
 - B. Beneficiary and David become joint tenants each paying \$5,000
 - C. Beneficiary and David as tenants in common each paying \$5,000
 - D. David would own all of the property free and clear of the encumbrance
46. **When the governmental body takes a private real property necessary for public use, the certain legal processes must be followed. Taking a real property such as above is exercising the right of:**
- A. Eminent domain
 - B. Police power
 - C. Escheat
 - D. Zoning laws
47. **A title company could make a title search by searching the records of the:**
- A. County Clerk's Office
 - B. County Recorder's Office
 - C. Federal Land Office
 - D. All of the above
48. **When making a loan, amortization tables are used in order to determine the:**
- A. Monthly payment
 - B. Annual percentage rate
 - C. Interest rate
 - D. Beneficiary's right
49. **Broker Smith took a listing on commercial acreage and also received the right to purchase the property within 30 days. On the 28th day of the listing, the broker decided to buy the property. Before buying the property, he must:**
- A. Disclose any outstanding offers
 - B. Give the owner any material information
 - C. Obtain written consent from the owner which acknowledges any profit or anticipated Profit
 - D. All of the above
50. **A real estate broker presented an offer to seller which met the terms of the listing. The offer was from a financially qualified black person. Later, his salesperson presented the seller an offer that was at a lower price from white prospect. The seller did not accept either offer, but instead, sold the property to a neighbor through the same salesperson. The neighbor wanted to buy the property to prevent minority person moving into the neighborhood. Which of the following parties has not violated the Civil Rights Act of 1968?**
- A. White prospect
 - B. Seller
 - C. Salesperson
 - D. Both salesperson and seller

51. **Which of the following State Agencies is empowered to prevent acts of discrimination in housing accommodations in California because of race, color, sex, national origin, or ancestry?**
- A. Department of Fair Employment and Housing Act
 - B. Discrimination Act
 - C. Department of Real Estate
 - D. Labor and Construction Department
52. **Broker Gutierrez had a listing to sell a seller Smith's house. Broker Gutierrez received an offer on the house and presented it to seller Smith who hesitated in accepting the offer. The broker promised Smith to find another suitable residence before close of escrow. On the basis of that, the seller accepted the offer. If broker Gutierrez failed to perform in finding another suitable residence during the time period, which of the following is most nearly correct?**
- A. Seller Smith could initiate a civil suit and the broker would be responsible for damages
 - B. Cancel the acceptance
 - C. Smith has no recourse against the salesperson since it was a verbal agreement
 - D. Salesperson is liable and may be sue for criminal action
53. **Broker Knot advertised in the newspaper that anyone who buys a property listed with the broker would receive a free microwave oven valued at \$500. Such action is:**
- A. Illegal
 - B. Unethical
 - C. Legal, if provided full disclosure is made to all interested parties
 - D. No prices are allow in real estate transactions
54. **If a broker is an agent for a seller, he owes to the buyer:**
- A. A duty of fair and honest dealing
 - B. Same fiduciary obligation to the buyer as the seller
 - C. Questions from the buyer related to the sales price
 - D. Answer questions about the monthly payment
55. **If two parties want to create an enforceable broker-principal relationship concerning a right, title, or interest in real property, the most essential element to do so would be:**
- A. A purchase agreement
 - B. A commission agreement
 - C. A contract to accept a deposit
 - D. A written employment contract
56. **Which of the following rights of ownership in real property do individuals normally not have?**
- A. Severance damages
 - B. Riparian rights
 - C. Eminent domain rights
 - D. Financing rights

57. **If a real estate licensee misrepresents a property to a buyer while he is acting as an agent, he may subject himself to:**
- A. Disciplinary action by the licensing authority
 - B. Civil action
 - C. Criminal action
 - D. All of the above
58. **Broker Hays took a 90-day exclusive agency listing to sell a property that was owned by Wilson. After 30 days, Hays had not sold the property, so Wilson sent him a certified mail letter canceling the listing. One week later, Wilson listed the property with several brokers using open listings. Two weeks later, one of the brokers who had an open listing on the property completed a sale to new owner. In this situation, Wilson most likely:**
- A. Not to cancel the listing and he owes commission to Hays only
 - B. Liable for payment of commission to Hays as well as to the selling broker
 - C. Liable to Broker Hays
 - D. Has the right to list his property with another company
59. **A broker obtained a 6% listing commission fee on a selling price of \$108,000. The seller incurred additional closing costs of \$1,450. Based on the preceding information, the seller's total cost of sale would amount to:**
- A. \$10,780
 - B. \$7,500
 - C. \$7,930
 - D. \$6,500
- $\$108,00 \times 6\% = \$6,480 + \$1,450 = \$7,930$
60. **When depreciation is taken on real property:**
- A. The basis is reduced
 - B. Value increase
 - C. Value is stable
 - D. Has no value
61. **Under the Subdivision Map Act, the subdivision reports must be filed with the:**
- A. County Assessor's Office
 - B. Real Estate Commissioner
 - C. Department of Construction Subdivision
 - D. City or County where the land is located
62. **A voidable contract remains binding upon the parties until the contract is:**
- A. Rescinded
 - B. Cancel
 - C. Voided
 - D. Disqualify
63. **Which of the following is the legal method that City uses to implement its general plan?**
- A. Building codes
 - B. Zoning
 - C. Variance
 - D. Safety zones

- 64. If roof slopes on all four sides, it is called a**
- A. Hip roof
 - B. Gable roof
 - C. Grabble roof
 - D. Solar roof
- 65. An appraiser's narrative appraisal report of a single-family residence probably would contain no reference to:**
- A. Appraiser's qualifications
 - B. Neighborhood data
 - C. Market analysis
 - D. Type of financing available
- 66. Which of the following notices could be important to the filing of a mechanic's lien?**
- A. Notice of non-responsibility
 - B. Notice of cessation
 - C. Notice of completion
 - D. All of the above
- 67. If a real estate licensee was trying to persuade people to list or to sell their property by telling them that members of another ethnic group were moving into their neighborhood and it would be their advantages to list or to sell. This would be an example of all of the following, except:**
- A. Blockbusting
 - B. Legitimate conduct
 - C. Panic selling
 - D. Illegal conduct
- 68. Which of the following is the most difficult for the mortgage lender to evaluate?**
- A. The degree of risk
 - B. Credit of borrower
 - C. Interest return
 - D. Cost of financing
- 69. Interest rates on trust deed loans are primarily determined by which of the following:**
- A. International market
 - B. Federal reserves
 - C. Demand for federal government loans
 - D. Demand for supply of money
- 70. The word "time is of the essence" can be found in which of the following contract?**
- A. Real estate purchase contract and receipt for deposit
 - B. Real estate listing agreement
 - C. Grant deed
 - D. Escrow instructions

71. **When an air conditioning unit has a higher energy efficiency ratio (EER), it means that:**
- A. The unit is more efficient
 - B. The unit is less efficient
 - C. The unit needs more electricity to operate
 - D. The unit needs less electricity to operate
72. **Carter bought 10 acres of vacant land for \$20,000 per acre; making a cash down payment of \$20,000 and executing a straight note and a blanket deed of trust for the balance. As a part of the note, the lender agreed that when Carter makes an additional payment of \$20,000 on the principal, the trustee would issue a partial reconveyance for one acre. Carter has paid a total of \$40,000 on the note and now owned two acres free and clear. The percentage of his equity in the encumbered property:**
- A. Is variable
 - B. Has decreased
 - C. Remains the same
 - D. Has increase
73. **A contractor was building a new home. Before completion, he received several offers to rent the property. Just right before the completion, the city announced that it was taking 10 feet off the front of the property to widen the street to facilitate the traffic. Thereafter, offers to rent were for approximately 10% less. This would be an example of which of the following types of depreciation:**
- A. Economic obsolescence
 - B. Functional obsolescence
 - C. Functional and economic obsolescence
 - D. Depreciation
74. **Which of the following is considered real property?**
- A. Land and buildings
 - B. Artificial items which are immovable by law
 - C. Easements that convey rights of-way over adjoining land
 - D. All of the above
75. **A mortgage loan may be insured by:**
- A. Beneficiary
 - B. California Finance Act
 - C. FHA of private mortgage insurer
 - D. Borrower
76. **The rights granted by an owner of real property to a telephone company for the purpose of erecting poles to support telephone wires over the property creates:**
- A. An encumbrance
 - B. Restriction
 - C. Specific lien
 - D. General lien

77. **Which of the following is not a lien?**
- A. An encroachment
 - B. Mortgage
 - C. Trust deed
 - D. Property taxes
78. **A broker receives an offer from a buyer for a specific property. The deposit was in the form of a personal promissory note for \$2,000 payable to seller in 60 days plus 10% interest. Which of the following is true?**
- A. The broker may accept the promissory note but must notify the seller that the deposit is in the form of a promissory note before seller accepts the offer
 - B. All deposits to purchase real estate must be in the form of personal check
 - C. Personal promissory note is acceptable if it is \$1,000 or less
 - D. Personal promissory note are to risky and the broker may return the offer
79. **Jose is an unlicensed employee of a licensed real estate broker. The broker pays him to distribute door hanger fliers to homes in the immediate neighborhood and to make telephone solicitations for potential buyers and sellers. This activity by Jose is:**
- A. Unlawful for the broker but not Jose.
 - B. Merely unethical for Jose and the broker.
 - C. Unlawful for both the broker and Jose.
 - D. An acceptable business practice.
80. **A real estate broker sent all of his title business to a Title Company. In appreciation of the business, the title company paid the broker \$10 for each transaction. According to the Real Estate Settlement Procedures Act, "RESPA," this practice is:**
- A. Forbidden
 - B. Permissible
 - C. Acceptable if buyer and seller are told about it
 - D. Permissible if seller pays for the title services
81. **Who is more likely to earn a sale commission? The broker who:**
- A. Attempted to bind the principal to the contract.
 - B. Secured an offer with a deposit.
 - C. Secured acceptance to an offer.
 - D. Communicated acceptance of the offer from the buyer to the seller.
82. **A broker was able to make a sale to an interested buyer based on false information which seller provided to the broker. The broker acted in good faith and in a reasonable manner in relying on the false information. Thereafter, the buyer rescinded the contract because of the fraud. Given these circumstances, the broker is normally entitled to:**
- A. A full commission and indemnity for any loss caused by related legal action by the defrauded buyer against the broker
 - B. Only expenses related to property advertising
 - C. Half commission
 - D. No commission

- 83. When financing a home with a long-term loan, if equal payments are made, the amount of the principal will:**
- A. Decrease while the interest payment decreases
 - B. Increase while the interest payment decreases
 - C. Remain the same along with the interest
 - D. Increase at a constant rate for the life of the loan
- 84. An agency relationship may be terminated by:**
- A. Lis pendis
 - B. Completion
 - C. Estoppel
 - D. Tour de force
- 85. When title is transferred, the grantee in the deed may have the title insured by a:**
- A. Title insurance policy
 - B. Hazard insurance
 - C. Homeowners insurance
 - D. Chain of title
- 86. What is the best way to create an agency relationship?**
- A. By actions
 - B. By opinion
 - C. By experience
 - D. By written agreement
- 87. When an owner refuses to pay the broker an earned commission, the broker may properly seek relief by:**
- A. Filing a complaint with the Department of Real Estate
 - B. Filing a vendor's lien
 - C. Court action
 - D. All of the above
- 88. The maximum commission a broker may charge for the sale of residential property is:**
- A. Set by the Real Estate Code of Ethics
 - B. Six percent of the sales price
 - C. Determined by the number of monthly sales
 - D. Determined by the broker's contract with his principal
- 89. Brokers, Andrew and Benson, both have an open listing on a property. Broker Andrew showed the property to a prospective buyer and carried on negotiations, but the buyer decided not to buy. Two weeks later, Broker Benson contacted the same buyer and arranged a sale of the property. The seller would be obligated to pay a commission as follows:**
- A. Full amount to Benson only
 - B. Full amount to Andrew only
 - C. Half to Benson and Half to Andrew
 - D. Full amount to both Brokers

90. **Under which of the following listings, a commission must be paid by owner even though he sells entirely through his own efforts:**
- A. Exclusive right to sell listing
 - B. Exclusive agency listing
 - C. Open listing
 - D. Net listing
91. **A broker's ads in a local newspaper says that if a buyer or seller will bring this ads to his office and either list or buy a property through him, he will give that person \$50. Which of the following is true?**
- A. The broker is not allow to give referrals
 - B. Illegal under the real estate law
 - C. Commission are paid only to license individuals
 - D. The broker can give \$50 to the buyer or seller
92. **The basis of the market data approach appraisal is found in:**
- A. Principle of substitution
 - B. Principle of progression
 - C. Principle of stability
 - D. Principle of conformity
93. **A joint tenant can dispose an interest held in real property by all of the following ways, except:**
- A. Will
 - B. Sell
 - C. Lease
 - D. Transfer
94. **Each owner in a tenancy in common:**
- A. Has the right in possession of all the properties
 - B. Cannot divide the property
 - C. Has no right in possession of all the properties
 - D. Only one may have possession of the entire property
95. **A trust deed can have a provision that allows future loans on the property to have priority. This would be called:**
- A. A subordination clause
 - B. Acceleration clause
 - C. Or more clause
 - D. Prepayment penalty clause
96. **Of the following, which is the best definition of a balloon payment?**
- A. Late interest payments of a 30 year loan due at the end
 - B. An additional payment to avoid prepayment penalties
 - C. Principal payments
 - D. The require payment of the entire balance due

97. **A Chicano prospective purchaser asks to be shown homes but does not specify that he wants to see homes located in a neighborhood where there are no Chicanos. How should a licensee decide what properties to show him?**
- A. The licensee may select homes for showing as he would for any other prospect
 - B. The licensee could assume that the prospective buyer is not interested in that neighborhood
 - C. The licensee may decided not to provide service to the buyer
 - D. Show him homes only in a Chicano neighborhood
98. **The decline of mortgage interest rates would occur when:**
- A. The Fed increases the reserve requirements
 - B. The Fed decreases the reserve requirements
 - C. Inflation increases
 - D. The mortgage money supply increases
99. **If the owner of a property thinks that his property has been over-assessed by the county assessor, he would contact the:**
- A. Assessment Appeals Board
 - B. The controller
 - C. Tax collector
 - D. Department of Appraisals
100. **Lee made an offer to purchase Wilson's property. As part of the offer, Lee agreed to take title "subject to" an existing VA loan which Wilson obtained when they purchased the property in approximate amount of \$39,000. If Wilson sells to Lee under these conditions, which of the following is true concerning liability for a loss suffered by the government after a foreclosure on the VA loan?**
- A. Lee will be primarily liable
 - B. Wilson will be primarily liable
 - C. Both Lee and Wilson are liable
 - D. Neither is liable
101. **A broker used the following clause in his exclusive listing contract, "In consideration of execution of the foregoing, the undersigned broker agrees to use diligence in procuring a purchaser." This clause:**
- A. Is important to the creation of a bilateral contract
 - B. Is necessary for the creation of unilateral contract
 - C. Is superfluous to the contract
 - D. Requires the broker to advertise the property with the multiple listing services
102. **When a lender makes a loan regulated by the Real Estate Settlement Procedures Act, the loan applicant must be provided with which of the following:**
- A. Bill of sale
 - B. Purchase agreement
 - C. Interest rate disclosure form
 - D. A good faith estimate

- 103. Broker Walter entered into an oral listing agreement with the seller of real property without a subsequent written verification. The payment of a commission to Broker Walter under these circumstances would be:**
- A. Illegal under the Real Estate Law
 - B. No commission
 - C. Receive a commission through court
 - D. Permissible if the seller elects to
- 104. Mr. Smith bought a property for \$72,000 with \$20,000 cash down payment and \$52,000 loan. The loan did not require interest and did not require any payments for one year. One year later, he sold the property for double its purchased price. Each dollar of his original cash investment is now equal to:**
- A. \$4.60
 - B. \$7.30
 - C. \$2.30
 - D. \$6.90
- $$\begin{aligned}
 & \$72,000 \times 2 = && \$144,000 \\
 & \$144,000 - \$52,000 = && \$92,000 \\
 & \$92,000 / \$20,000 = && \$4.60
 \end{aligned}$$
- 105. If a 32-unit apartment building shows an annual net income of \$117,800 and the appropriate capitalization rate is 8%, what is the approximate value of the property:**
- A. \$9,424,000
 - B. \$1,472,500
 - C. \$1,178,000
 - D. \$1,170,790
- $$\$117,800 / 8\% = \$1,472,500$$
- 106. Which of the following does not directly affect the level and movement of mortgage interest rates?**
- A. Demand for funds
 - B. Inflation
 - C. Rate of unemployment
 - D. Supply of money
- 107. To an appraiser, a definition of value is:**
- A. A relationship between desirous persons and things desired
 - B. The ability of one commodity to command other commodities in exchange
 - C. The present worth of future benefits arising out of ownership of a property
 - D. Any of the above
- 108. Concerning the second installment of real property taxes in California, the due date and delinquent date are respectively:**
- A. November 1st and December 10th
 - B. February 1st and April 10th
 - C. November 1st and April 10th
 - D. December 10th and April 10th

109. **A lessee rents a building from May 1 to July 1. His tenancy is:**
- A. Estate for years
 - B. Month to month
 - C. Periodic tenancy
 - D. Monthly lease
110. **Which of the following can be appurtenant to land?**
- A. Stock in a mutual water company
 - B. Attachment
 - C. Easement in gross
 - D. All of the above
111. **A trustee defaults on his loan and refuses to reinstate the deed of trust. The most expedient thing for the beneficiary to do is to institute a:**
- A. Judicial foreclosure
 - B. Lien sale
 - C. Trustee sale
 - D. HUD sale
112. **When an appraiser is appraising a property, he usually considers all of the following, except:**
- A. The assessed value
 - B. Property description
 - C. Final value
 - D. Neighborhood data
113. **Listing a home at an inflated price requiring minority prospects to pay that price, but accepting a lower price from other prospects:**
- A. Could cause the listing salesperson and broker to be liable for money damages in a Fair Housing suit
 - B. Violation of the Fair Housing Laws
 - C. Is illegal under FHA and VA financing loans only
 - D. Is not illegal if the buyer agrees to the price
114. **Mr. Gonzalez took out a loan for improvements to his real property that was fully amortized. If the loan provides that there are equal monthly payments, the amount credited to the principal will:**
- A. Decrease while the interest payment decreases
 - B. Increase while the interest payment decreases
 - C. Will remain the same along with the interest
 - D. Increase at a constant rate for the life of the loan
115. **Which of the following phrases will best describe the nature of a broker's duty to keep his principal informed?**
- A. Fiduciary obligation
 - B. Ethical conduct
 - C. Good business practice
 - D. Responsibility

- 116. When a deed shows the racial identity of a client, it can be re-written only by authorization from:**
- A. The laws created in 1978
 - B. Title companies
 - C. Offensive and discrimination department
 - D. Court order
- 117. When gross income is changed into value in one operation, which of the following describes this occurrence?**
- A. Comparison cost
 - B. Cost
 - C. Value
 - D. Rent multiplier
- 118. During the winter time, an appraiser finds that the inside of an exterior wall of a building is about the same temperature as the other interior walls. The appraiser would come to the conclusion that:**
- A. The heating system is faulty
 - B. The furnace has a good EER rating
 - C. The wall insulation is adequate
 - D. Heating pipes are leaking
- 119. A sublease is considered to be:**
- A. A transfer of less than the entire leasehold
 - B. A transfer of the entire leasehold
 - C. An assignment
 - D. Estate for years
- 120. Which of the following best describes the actions of an agent under single agency?**
- A. A single-agency broker is client-oriented
 - B. A single-agency represents the buyer and seller
 - C. One transaction is needed and no escrow instructions are needed
 - D. Buyer and seller represent themselves
- 121. An owner of an apartment complex deducted \$6,000 from the gross income for depreciation on his federal income tax return. The basis of the property is therefore:**
- A. Increased by \$6,000
 - B. Reduced by \$6,000
 - C. Remains the same
 - D. Adjusted only when the property is sold
- 122. A real estate licensee refers transactions to a specific escrow company, because the escrow company pays him a referral fee for each of such referral. Regarding this arrangement, which of the following is correct?**
- A. This arrangement is prohibited under real estate law
 - B. If the amount does not exceed \$50, it is permissible
 - C. If all parties are informed, it is permissible
 - D. If the fee doesn't increase the amount charged in the good faith estimate

123. **A broker receives rental income from several apartment units which he owns. He plans soon to accept an offer accompanied by a deposit to sell one of the units. Under these circumstances, he should:**
- A. As owner, place neither the rental income nor the sale deposit in a trust account
 - B. Deposit the rent in the brokers trust account
 - C. Deposit the rent in the brokers trust account if doesn't exceed \$200
 - D. Deposit both the rent and deposit in the trust account
124. **A new real estate salesperson made strong efforts to obtain listings in a non-integrated community. He found success by insinuating to property owners that should minorities move into the area, the value of their homes would decrease. Which of the following terms best describes the activities of salesperson?**
- A. Steering
 - B. Panic peddling
 - C. Blockbusting
 - D. Both "B" and "C"
125. **A listing (authorization to sell) generally:**
- A. Authorizes the broker to find a buyer for the property
 - B. Is a bilateral executed contract
 - C. Allows the broker to collect a commission during the term of the listing
 - D. Becomes a legal contract when buyer signs it
126. **When a salesperson takes a listing, the listing is the property of:**
- A. The multiple listing services
 - B. The salesperson only
 - C. The broker who employs the salesperson
 - D. Both broker and salesperson
127. **When the Environmental Review Board or the Department of Real Estate issues a "negative declaration," it means that the subdivision:**
- A. Has not been approve by the Department of Environment Protection Plan
 - B. Has been approve by the Environment Protection Agencies but subject to inspections
 - C. Has warnings about possible environment safety in the public report
 - D. Will have an insignificant effect upon the environment and the developer will not have to pay for a full environmental report
128. **When a legal description begins with the phrase, "Beginning at a point on the northerly edge of O Street, 100 feet east of the NE corner of the intersection of O and Seventh Street." Which of the following methods of land description is being used?**
- A. Metes and Bounds
 - B. Township
 - C. Track map system
 - D. U.S. Government survey

129. **When an agent is accused of “puffing,” the agent might have been guilty of which of the following?**
- A. Advising the real estate agent to elevate the price on the property to help the buyer with financing costs
 - B. Exaggerating the features of the property and/or neighborhood when showing the property to prospective buyers
 - C. Charging the seller higher cost in different neighborhoods
 - D. Convincing the buyer to make a lower offer
130. **Of the following, which best characterizes the term “single agency”?**
- A. The agent represents both the buyer and seller
 - B. The broker can only keep his principal informed about any information about the property
 - C. The agent represents one client in dealing with a third person
 - D. The agent has the right to represent as many principals in a single agency
131. **Mr. Brown hired an agent to purchase a home. The offer has a contingency; the offer was contingent upon the sale of Brown’s home. The offer made a counter offer accepting the Brown’s offer with the right to continue marketing the home for better offers and granting to Brown a right of first refusal to remove his contingency if a better offer comes in. Brown accepted the offer and immediately listed their home for sale. Shortly thereafter, the seller notified Brown that a better offer has been presented without any contingencies. What should the agent advise Brown to do?**
- A. Advise Brown of the advantages and disadvantages of removing the contingencies and buying the home before the sale of their existing home
 - B. The agent may offer his advice the decision is on the buyer
 - C. Advise the buyer to remove the contingency immediately
 - D. Advise the buyers to rent the property first so they can purchase the home without selling their existing home first
132. **Under the Business and Professions Code, it is required to keep copy of a deposit receipt for a minimum of three years from:**
- A. Acceptance of the offer
 - B. The date closing of the transaction
 - C. Recording of the deed
 - D. The date the deed was notarized
133. **A real estate broker was charging 1/8 percentage interest rate higher to borrowers that English wasn’t their first language. This action by the broker is:**
- A. Legal because the broker had to work harder explaining the concept in a different language.
 - B. A violation of the Housing Finance Discrimination Act of 1977
 - C. A violation of the Department of Real Estate
 - D. A violation of the mortgage guidelines

134. **If a tenant enters into a 2 year lease and if the lease contains no clause of assignment of subleasing, the tenant may:**
- A. Assign a sublease to another tenant
 - B. Sublease to another tenant
 - C. Cannot sublease
 - D. Assign the lease only but not sublease
135. **A tenant of an apartment complex working on heating ducts. The tenant sees the ducts contain asbestos insulation. Does the tenant have a legal obligation to warn anyone?**
- A. Let owner know by certify mail
 - B. The tenant has no legal obligation to warn people
 - C. Let the repairman know
 - D. Report it to the Department of Real Estate
136. **All of the following statements about covenants and conditions are false, except:**
- A. The violation of the covenant results in the loss of title
 - B. Covenants and conditions must be for the benefit of the general public
 - C. A violation of a condition can result in the loss of title
 - D. All covenants and conditions are for benefit of the public is general
137. **Which of the following is true regarding the depreciation of land under federal income tax law?**
- A. Land is depreciated every year
 - B. Owner may deduct depreciation of land over time
 - C. Land is depreciated by comparables
 - D. Land cannot be depreciated
138. **The term estoppel best describes:**
- A. Zoning changes
 - B. Construction codes
 - C. Tenants rights and landlord responsibilities
 - D. Eviction notice
139. **An appraiser is using the replacement cost method and may use the unit cost per square foot or cost per cubic foot in the computations. On a unit cost comparison basis:**
- A. A small house would cost less per unit than a large house
 - B. A small house would cost more per unit than a large house
 - C. The small house and large house would cost the same
 - D. A large house would cost more per unit than a small house
140. **Two buildings are leased on a long term basis, one for a post office and the other for a hardware store. Using the capitalization approach to appraise the properties, the post office would demand:**
- A. Higher capitalization rate
 - B. A lower capitalization rate
 - C. Same capitalization rate
 - D. None of the above

- 141. The Alquist-Priolo Earthquake Special Studies Act is applicable to:**
- A. All cities in California
 - B. All counties in California
 - C. Only on designated earthquake fault lines
 - D. All regions in northern California
- 142. A loan secured by real property usually consists of:**
- A. Mortgage loan statement
 - B. FHA or VA insurance
 - C. Hazard Insurance
 - D. Promissory note and a trust deed
- 143. Mortgage loan correspondents may obtain a license by:**
- A. Department of Corporations
 - B. Department of Real Estate
 - C. No license is require
 - D. Both A and B
- 144. A real estate broker who owned a large real estate firm operating under ABC Realty Co. listed a property for total of \$40,000. The broker and many of his salespersons were all principals in an investment company operating under the name of Realty Investment Company. The investment company decided to purchase the property so the broker presented an all cash offer but did not disclose the buyer's relationship. Under this circumstances:**
- A. The broker's offer would be valid if he discloses the buyer's relationship to the Escrow company.
 - B. The broker's offer is a legal contract even though was all cash
 - C. The broker's action was improper because he did not reveal the true identity of the purchaser
 - D. The broker's action was proper since he was able to sell the property
- 145. When someone has power of attorney may do all of the following, except:**
- A. Sign the name of his principal
 - B. Deed the property to another person
 - C. Charge commission for himself
 - D. Deed the property to himself
- 146. Purchasing a home with a lower down payment and longer repayment terms will generally:**
- A. Increase the total financing cost
 - B. Decrease the financing cost
 - C. No affect on financing cost
 - D. Affects the amortization process
- 147. A lender under a trust deed is known as:**
- A. Trustor
 - B. Trustee
 - C. Beneficiary
 - D. Mortgagor

- 148. When a lender in a trust deed takes a deed in lieu of foreclosure, who is liable for the second financing?**
- A. Trustor
 - B. Beneficiary
 - C. Trustee
 - D. Mortgagor
- 149. When a residential neighborhood is composed mostly of owner occupied residential properties, it tends to:**
- A. Lower property values
 - B. Elevate property values
 - C. Conformity of values
 - D. Stabilize value
- 150. In which of the programs will the borrower have to pay commission on?**
- A. VA loans
 - B. Fannie Mae
 - C. FHA or PMI
 - D. Freddie Mac

**EXAM 1
ANSWERS**

- | | | | |
|-------|-------|--------|--------|
| 1. D | 41. A | 81. D | 121. B |
| 2. A | 42. B | 82. A | 122. A |
| 3. B | 43. A | 83. B | 123. A |
| 4. B | 44. B | 84. B | 124. D |
| 5. C | 45. D | 85. A | 125. A |
| 6. A | 46. A | 86. D | 126. C |
| 7. C | 47. D | 87. C | 127. D |
| 8. A | 48. A | 88. D | 128. A |
| 9. B | 49. D | 89. A | 129. B |
| 10. A | 50. A | 90. A | 130. C |
| 11. D | 51. A | 91. D | 131. A |
| 12. D | 52. A | 92. A | 132. B |
| 13. B | 53. C | 93. A | 133. B |
| 14. D | 54. A | 94. A | 134. B |
| 15. C | 55. D | 95. A | 135. B |
| 16. B | 56. C | 96. D | 136. C |
| 17. C | 57. D | 97. A | 137. D |
| 18. D | 58. B | 98. D | 138. C |
| 19. A | 59. C | 99. A | 139. B |
| 20. B | 60. A | 100. B | 140. B |
| 21. C | 61. D | 101. A | 141. B |
| 22. A | 62. A | 102. D | 142. D |
| 23. D | 63. B | 103. D | 143. D |
| 24. D | 64. A | 104. A | 144. C |
| 25. C | 65. D | 105. B | 145. D |
| 26. C | 66. D | 106. C | 146. A |
| 27. A | 67. B | 107. D | 147. C |
| 28. D | 68. A | 108. B | 148. B |
| 29. C | 69. D | 109. A | 149. D |
| 30. B | 70. A | 110. D | 150. C |
| 31. D | 71. A | 111. C | |
| 32. A | 72. D | 112. A | |
| 33. D | 73. A | 113. A | |
| 34. C | 74. D | 114. B | |
| 35. C | 75. C | 115. A | |
| 36. D | 76. A | 116. D | |
| 37. C | 77. A | 117. D | |
| 38. B | 78. A | 118. C | |
| 39. D | 79. C | 119. A | |
| 40. C | 80. A | 120. A | |

PRACTICE EXAM 2

- 1. Two friends hold title as joint tenants. One borrowed money and executed a note deed of trust against the home. In terms of affecting title, this action could:**
 - A. Destroy one of the four unities of joint tenants
 - B. Place the beneficiary in a precarious position should the borrower die before the debt is paid
 - C. Invalidate the note since a lien can be attached only to the undivided interest of all joint tenants
 - D. Create a security interest in all other real property in which the borrower may have an interest

- 2. Joint tenant estate held by two joint tenants is severed and ended by the following, except:**
 - A. By the execution of a mortgage or deed of trust by one joint tenant creating a lien against his interest
 - B. A foreclosure by one of the joint tenants
 - C. One of the joint tenants transfers his interest to a third party
 - D. One of the joint tenants selling his interest

- 3. A man owns six separate parcels of real property. He wants to offer all of the parcels as security for a mortgage loan. The mortgage that he obtains will probably be:**
 - A. A mortgage
 - B. A trust deed
 - C. Blanket mortgage
 - D. Security mortgage

- 4. All of the followings are acts of one joint tenant terminates a joint tenancy, except when the joint tenant:**
 - A. Sells his or her share
 - B. Transfer his or her share
 - C. Mortgages his or her share
 - D. Deeds his or her share to a co-owner

- 5. A conflict in a contract between buyer and seller and also in the instructions to return the deposit from the trust account. The broker was unable to resolve the problem and refers it to a third person by:**
 - A. Interpleader action
 - B. Court action
 - C. Judicial action
 - D. Attorney

- 6. A contingency in a contract is:**
 - A. Nature of the contingency
 - B. Duration of the contingency
 - C. Method of how to remove the contingency
 - D. All of the above

7. **Under the real estate law, if an agent is found guilty of discrimination, the real estate commissioner will:**
- A. Revoke or suspend the agent's license
 - B. Cancel the license for 150 days
 - C. Suspend the license for 3 months
 - D. Suspend the license for 1 year
8. **Which of the following is misrepresentation?**
- A. Material to contrary
 - B. Information known by the broker that is false
 - C. False information to bind a buyer to a contract
 - D. All of the above
9. **Broker Hadley took a listing from Watanabe for 30 days. Watanabe gave instructions to Hadley that he could purchase the property himself. After the 27th day, Hadley decided to buy the property. Broker Hadley present to the seller:**
- A. His Interest on the property
 - B. The net amount to the seller
 - C. Commission disclosure
 - D. All of the above
10. **The purpose of a deed is:**
- A. To transfer title
 - B. To be acknowledged
 - C. The evidence in change of title or an interest
 - D. To be recorded in the county recorders office to be valid
11. **Before his death, Westland had several listings. Now, Westland's daughter is taking over the business. In regards to listings:**
- A. Automatically cancelled and she needs to re-list the properties for the clients
 - B. Automatically cancelled
 - C. May be cancelled only in writing and approved by the daughter
 - D. Must be cancelled within 24 hours or the listings are automatically transfer to the daughter
12. **A hispanic wants to be shown property in certain neighborhoods. The real estate agent should:**
- A. Show him properties as any other client
 - B. Show him properties only in areas he decides to
 - C. Provide information about the ethnicity of the neighborhood
 - D. Show properties in areas where Hispanic population is greater
13. **An example of police power:**
- A. Zoning
 - B. Condemnation
 - C. Eminent domain
 - D. Inverse condemnation

- 14. Which of the following may be attached to the land:**
- A. Trees
 - B. Buildings
 - C. Water rights
 - D. All of the above
- 15. The agent who will earn a commission is the one that:**
- A. Signed the purchase agreement
 - B. Communicated offer and acceptance from seller to buyer
 - C. Communicated the offer to the seller
 - D. Accepted a deposit first
- 16. In a new developed subdivision, the Real Estate Commissioner was informed of misrepresentations being made by the developer. The commissioner may stop the sale of more lots by:**
- A. Revoking the final public report
 - B. Filing an accusation
 - C. Suspending the developer's contractor's license
 - D. Issuing a desist and refrain order
- 17. Which of the following must be given to a buyer of a condominium unit?**
- A. Copy of the CC and R's
 - B. Copy of the by laws
 - C. Copy of the most recent financial statement of the association
 - D. All of the above
- 18. The placement of a building on the land is known as:**
- A. Orientation
 - B. Topography
 - C. Elevation
 - D. Foundation plan
- 19. A binding contract represents:**
- A. Offer and delivery
 - B. Offer and acceptance
 - C. Acceptance from buyer
 - D. Acceptance from seller to seller's agent
- 20. CPI refers to:**
- A. Listing agreements
 - B. Purchase agreement
 - C. Manufacturing
 - D. Commercial leases
- 21. Who pays the service charge under a FHA loan?**
- A. Seller
 - B. Buyer
 - C. Both buyer and seller
 - D. Lender

22. **When comparing FHA and conventional loan, the conventional loan offers:**
- A. Higher loan to value ratio
 - B. Lower payments
 - C. Lower interest rates
 - D. Lower loan to value ratio
23. **A commission to an agent may be in the form of:**
- A. Note
 - B. Trust deed
 - C. Cash
 - D. All of the above
24. **A home sold for \$178,000 and leased at \$1,200. If another home is leased at \$1,300 the value is:**
- A. \$193,000
 - B. \$136,000
 - C. \$200,000
 - D. \$190,000
- $\$178,000 / \$1,200 = 148.33$
 $148.33 \times \$1,300 = \$192,833$
25. **The right of an interest in real property is represented by:**
- A. Quiet title action
 - B. Trust deed
 - C. Quitclaim deed
 - D. Mortgage
26. **A brother and sister owned a property as joint tenants. The brother died penniless and left unsecured debts, the title to the sister is now:**
- A. Tenants in common
 - B. Free and clear of debts from the brother
 - C. Lien on the property from the debts from the brother
 - D. To pay only half of the brother's debts
27. **Which of the following best refers to seller's market?**
- A. Cause prices to drop as demand is decrease and supply increases
 - B. High prices of a product with demand and supply lags
 - C. Demand and supply of a product with a decrease of buyers
 - D. Decrease on land and construction
28. **A real estate broker discovers that one of the agents was receiving referral fees from a lender that they do business with. The broker fired the agent and warned the other agents not to receive any referrals according to the real estate law:**
- A. Both broker and salesperson may be subject for prosecution
 - B. Only the agent will prosecuted by the department of real estate
 - C. Only the broker will be prosecuted by the department of real estate
 - D. The broker's conduct is acceptable no should receive referral fees

- 29. Buyer and seller decided to cancel the transaction. The seller instructed the broker to return the buyer's deposit. The broker should:**
- A. Return the deposit and sue buyer for his commission
 - B. Return only half of the deposit to the buyer
 - C. Return the deposit as instructed
 - D. The agent may collect his commission in court from the seller
- 30. A document used to represent another person:**
- A. Power of attorney
 - B. Grant deed
 - C. Reconveyance deed
 - D. Attorney in fact
- 31. In regards to appraisal, all of the followings are true, except:**
- A. Cost approach is use in new construction
 - B. Cost approach is use for special properties
 - C. Cost approach is use for commercial building
 - D. Cost approach sets the lower limits of value
- 32. Which of the following policies covers all the risks?**
- A. Homeowners insurance
 - B. Extended policy
 - C. Standard policy
 - D. No policy covers everything
- 33. When appraising an old residential property in regards to periodic tenancy:**
- A. Compare to rentals and comparables in the area
 - B. Determined by square footage
 - C. According to the type of neighborhood
 - D. Obtained from the assessor's value
- 34. Bond, deed of trust, and notes held by a third party is known as:**
- A. Beneficiary
 - B. Lender
 - C. Escrow
 - D. Trustee
- 35. A contract replaced entirely by a new one is known as:**
- A. Amendment
 - B. Replacement
 - C. Novation
 - D. Renew
- 36. Fuentes purchased Brown's house and agreed to assume the existing mortgage:**
- A. Brown is relieve from future liabilities
 - B. Brown is liable for the loan
 - C. Fuentes is not primary responsible for the loan
 - D. Brown and Fuentes are liable

- 37. Followings will determine if an item is a fixture or not, except:**
- A. Intention
 - B. Agreement
 - C. Cost
 - D. Relationship
- 38. Followings will determine if an item is a fixture or not, except:**
- A. Intention
 - B. Agreement
 - C. Time
 - D. Relationship
- 39. A sale of a property through probate, the commission will determine by:**
- A. Court ordered
 - B. Real estate commissioner
 - C. Board of directors
 - D. The administrator
- 40. A voidable contract is a contract that:**
- A. Is valid only when is signed, but for some reasons, it cannot prove by either party
 - B. Contains all legal requirements but may be cancelled by anyone
 - C. Is valid and enforceable on its face, but it may be rejected by one of the parties
 - D. Is a contract with no legal effect
- 41. When comparing real property to personal property:**
- A. Immovable by law
 - B. Movable
 - C. Personal exclusively
 - D. Transferable by a bill of sale
- 42. A Standard policy will cover against:**
- A. Property lines
 - B. Zoning
 - C. Legal incompetence of the grantor
 - D. Property survey
- 43. Which of the following is not a lien?**
- A. Taxes
 - B. Trust deed
 - C. Judgment
 - D. Restrictions
- 44. Under the income tax law, a salesperson is:**
- A. Employee of the broker he/she is permitted to work for
 - B. Self employed contractor
 - C. Employee of the broker and the broker must pay for medical insurance
 - D. Self employed and employee of the broker

45. **“As Is” is permitted when:**
A. A buyer is fully informed about known defects before bind to contract
B. Only if buyer asks for a transfer disclosure
C. The property is finance through a private investor
D. Only if the property needs major repairs
46. **An appraisal is least concern with general state economy in appraising for:**
A. Shopping center
B. Electronic assembly
C. Medical dental building
D. Industrial park
47. **The maximum amount that may be recovered from the Recovery Trust Fund is:**
A. \$20,000
B. \$10,000
C. \$100,000
D. \$50,000
48. **For a blind ads, it doesn’t identify the:**
A. Broker
B. Salesperson
C. Seller
D. Buyer
49. **For a property under default, a possession of the property is held by:**
A. Trustee
B. Trustor
C. Beneficiary
D. Mortgagee
50. **Earthquake hazard report must be issued to properties in:**
A. All California
B. All counties
C. All cities
D. Only to specific types of structures on earthquake zones
51. **The maximum value of a property due to architectural design and stability of neighborhood is:**
A. Progression-regression
B. Stability
C. Conformity
D. None of the above
52. **A contractor was installing a new hardwood floor and was unpaid and placed a lien on the property. The lien started running from:**
A. After the installation on the hardwood floor
B. Commencement of the installation of the hardwood floor
C. The date recorded at recorder’s office
D. 3 days after the installation of the hardwood floor

- 53. A master plan shows:**
A. Streets and freeways
B. Residential and commercial zoning
C. Safety
D. All of the above
- 54. The ordinary repairs on a property are known as:**
A. Repairs
B. Rehabilitation
C. Cosmetic maintenance
D. Wear and tear
- 55. The standard policy of title insurance consists of three processes. Which of the following is not one of the three processes?**
A. Determination of correct boundary lines and property survey
B. Amount of insurance require
C. Title investigation
D. Protection of title losses
- 56. When a property is being sold through an option, the broker must inform to the client that he is acting as a:**
A. Principal
B. Agent
C. Broker
D. Seller
- 57. Capitalization rate means:**
A. Converts income into value
B. Finds the gross income of a property
C. Establishes the cost of capital
D. Depreciation value
- 58. Conditions affecting interest rates and the availability of loan funds vary overtime. When would it be advantageous for a lender to waive a payment penalty clause contained in a promissory note?**
A. When loans available with low interest rates
B. In a deflationary economy
C. In a tight money market where there is a lack of funds available for real estate loans
D. When the FED lowers his reserve requirements
- 59. When a broker is representing both buyer and seller on an exchange transaction and doesn't disclose his dual agency. The remedy of the parties is:**
A. No commission
B. Cancel the transaction
C. Sue for criminal and civil action
D. All of the above

- 60. When can an agent refuse to transmit an offer?**
- A. When the seller has accepted a back up offer
 - B. When the agent is acting as a gratuitous agent
 - C. The agent may refuse to transmit an offer to anyone at any time
 - D. When he is acting on express instructions from the principal
- 61. Consideration may be in the form of:**
- A. Trust deed
 - B. Promissory note
 - C. Cash
 - D. All of the above
- 62. Broker Taylor listed a property for \$55,000 with instruction from the seller that the minimum down payment not to exceed 23%. The broker then presented an offer with all cash and the seller rejected the offer. With this circumstance:**
- A. The seller can turn down the offer without liability and pay no commission because the offer did not meet the requirements in the listing
 - B. The broker is entitle to a full commission
 - C. The broker is entitle to a commission based on the appraised value
 - D. The broker is entitle only to a 23% of the appraised value
- 63. A broker has a listing and one of his salesperson sells the listing. This is known as:**
- A. Dual agency
 - B. Single agency
 - C. Single agency for the buyer
 - D. No agency
- 64. Deed covenants that limit the conveyance of properties to persons of the minority group, these restrictions:**
- A. Have no effect on the conveyance covenant and are unenforceable
 - B. Are enforceable if buyers prefer to have them
 - C. Are valid only buyer and seller may cancel them
 - D. May be cancel by escrow
- 65. If the selling property has an item that is not present on the comparables, the appraiser has to:**
- A. Add from the subject property to the comparables
 - B. Subtract from the subject property to the comparables
 - C. Add from the comparables to the subject property
 - D. Add to the basis of the subject property
- 66. A clause on a trust deed that agrees to be on a lower position is known as:**
- A. Acceleration clause
 - B. Subordination clause
 - C. Or more clause
 - D. Agreement clause

67. **A document to transfer property from trustee to trustor is:**
A. Grant deed
B. Trust deed
C. Reconveyance deed
D. Partial reconveyance deed
68. **When an agent is a subagent of the selling broker, he is working for:**
A. The seller
B. The buyer
C. The lender
D. The beneficiary
69. **Omedo's home is close to an airport. Omedo's legal proceeding against government authorities is called:**
A. Just compensation
B. Eminent domain
C. Condemnation
D. Inverse condemnation
70. **The City made a change in zoning that is not permitted in the construction industry. This is an example of:**
A. Variance
B. Building code
C. Restrictions
D. Zoning changes
71. **The activity of an unlicensed person working for a real estate office according to the department of real estate:**
A. The agent is self-employ
B. The agent is an employee of the broker
C. The agent must be under a licensed supervision
D. The broker has no duty to supervise the agent
72. **When an appraiser appraises a commercial building for \$550,000, the appraiser must have:**
A. General appraisal license
B. Certified license
C. Commercial license
D. Appraisal license
73. **According to the department of real estate, if an agent wants to advertise on the World Wide Web:**
A. Only ones provided by qualified real estate licensees
B. Only to real estate brokers
C. Anyone appointed by the broker
D. Anyone appointed by the real estate commissioner

- 74. If the seller presented the hazard disclosure statement to the buyer, which of the following is true:**
- A. The seller is not obligated to disclose anything else other than the report
 - B. No other disclosure is needed
 - C. The buyer must agree to the content disclose in the hazard disclosure statement
 - D. Seller and seller agent are obligated to disclose any material hazard for which they are aware
- 75. Which of the following is true in regards to Hazard Safety Disclosure Statement and Transfer Disclosure Statement?**
- A. Hazard safety disclosure statement and transfer disclosures are needed only if buyer is interested.
 - B. The hazard safety disclosure statement is a complete hazard disclosure
 - C. If the transfer disclosure statement is presented, no other disclosures are needed
 - D. They must check the public posted maps to discover and disclose existing hazard information if it is available. The transfer disclosure statement is limited to information that the owner knows.
- 76. Which of the following is a violation of Federal Housing Law according to periodic tenancy?**
- A. Requiring first month rent in advance
 - B. Acquiring co-signers for unmarried persons only
 - C. Acquiring good credit rating
 - D. Acquiring references from previous landlords
- 77. Which of the following report is the most complete report?**
- A. Narrative report
 - B. Form report
 - C. Letter report
 - D. Neighborhood data
- 78. Deed restriction may be created by:**
- A. Grantor in a deed
 - B. By zoning
 - C. Written agreement
 - D. By deed
- 79. A tenant may be justified in abandoning a leased property if the landlord has constructively evicted the tenant. Which of the following acts would be an example of constructive eviction?**
- A. The landlord has shown the property to a new prospective tenant and has entered into lease negotiations with the new tenant.
 - B. The landlord has failed to make necessary repairs to the premises
 - C. The landlord has made extensive and unwarranted alterations to the premises, making it no longer usable for its original purpose
 - D. All of the above

- 80. Nominal rate or normal rate means:**
- A. The rate stated in the loan documents
 - B. The rate named in the note
 - C. The rate printed in the purchase agreement
 - D. The rate set by escrow instructions
- 81. Which of the following listing allows an agent may collect a commission even if sold through the owner:**
- A. Exclusive right to sell listing
 - B. Exclusive agency listing
 - C. Open listing
 - D. Net listing
- 82. Roger sold his home and he paid \$140 for escrow services and 6% commission. The seller received \$13,583. The sales price is approximately:**
- A. \$12,770
 - B. \$14,440
 - C. \$14,540
 - D. \$14,600
- $$\begin{aligned} & \$13,583 + \$140 = \$13,723 \\ & \$13,723 / 94\% = \$14,598 \end{aligned}$$
- 83. An agency relationship is represented by:**
- A. Oral agreement
 - B. Written agreement
 - C. Assignment
 - D. Commission agreement
- 84. A dual agency is permitted when:**
- A. Buyer and Seller agree to it
 - B. Buyer agrees to it
 - C. Seller agrees to it
 - D. By lenders approval
- 85. A written contract between the broker and salesperson has to be in writing according to:**
- A. Rules and Regulations of the Real Estate Commissioner
 - B. The National Association of Realtors
 - C. Only if necessary
 - D. To the multiple listing services
- 86. Riparian rights is the right of owners who are located on borders of:**
- A. River and streams
 - B. Bays and arms of the sea
 - C. Subterranean cavities
 - D. All of the above

- 87. As for rules and regulations, a pest control company must provide:**
- A. Copy to the owner
 - B. Copy to the seller
 - C. Copy to the escrow company
 - D. Copy to the lender
- 88. Once a binding contract has been created between buyer and seller, it is:**
- A. Equitable title
 - B. Legal title
 - C. Certify title
 - D. Pending title
- 89. The date in the purchase contract is the date:**
- A. The buyer signed
 - B. Contract was prepared
 - C. Agent received the deposit
 - D. Final acceptance was communicated to the offeror
- 90. The construction industry is regulated by:**
- A. State housing law
 - B. Local building codes
 - C. Contractors license law
 - D. All of the above
- 91. If a lender decides to take a deed in lieu of foreclosure:**
- A. Must receive an approval of sale from the trustor
 - B. Must get a deficiency judgment in court
 - C. Will own the property free and clear
 - D. Assumes any junior liens
- 92. The market data approach is accomplished by:**
- A. Based on the assessed value
 - B. Inferred of comparable properties
 - C. Unspecified consideration
 - D. Being notarized by a notary
- 93. A listing must contain all of the following, except:**
- A. Compensation
 - B. Lawful object
 - C. Unspecified consideration
 - D. Being notarized by a notary
- 94. Under the truth and lending law disclosure is presented by:**
- A. Lender
 - B. Beneficiary
 - C. Borrower
 - D. Seller

- 95. The Federal Fair Housing Law declares a United States policy of:**
- A. Eliminating prejudice throughout the United States.
 - B. Building houses for minority groups throughout the United States.
 - C. Guaranteeing separate but equal housing in all of the states.
 - D. Providing Fair Housing for persons throughout the United States.
- 96. Buyer and seller entered in a contract and the buyer asks the broker to move into the property before closing of escrow, the broker must:**
- A. Obtain written consent from the owner
 - B. Give the buyer a temporary lease
 - C. The agent may give the buyer oral permission
 - D. Obtain written consent from the buyer
- 97. David sold his friend's home in Yolo County. David has no license and received a commission. Who will prosecute David?**
- A. District Attorney
 - B. Real Estate Commission
 - C. Attorney General
 - D. Board of Supervisors
- 98. John entered into a right to sell listing with Broker Otis. John gave Otis \$100 to advertise the property. The payment of the \$100 to Otis must:**
- A. Deposit in the trust account and use for the purpose intended
 - B. Hold towards his commission
 - C. Not necessary to deposit in the trust account if it is less than \$200
 - D. None of the above
- 99. A broker must have in writing of any employments with which of the following:**
- A. Secretaries
 - B. Janitorial Employees
 - C. Real estate staff
 - D. All of the above
- 100. Property may be substituted by:**
- A. Design
 - B. Earnings
 - C. Use
 - D. Any of the above
- 101. An exclusive agency listing may be for a period of:**
- A. 180 days
 - B. 60 days
 - C. 6 months
 - D. Any time agreed between the agent and seller

- 102. An easement attached to the land is known as:**
- A. Gross easement
 - B. Prescriptive easement
 - C. Appurtenant easement
 - D. Ingress easement
- 103. Cost approach is used in:**
- A. New buildings
 - B. Old construction
 - C. Land
 - D. None of the above
- 104. All of the following are necessary for a valid contract, except:**
- A. Meeting of the minds
 - B. Lawful object
 - C. Consideration
 - D. Payment of money or performance
- 105. An appraiser will deduct the vacancy factor of an apartment to reach at:**
- A. Effective gross income
 - B. Net income
 - C. Gross income
 - D. Appreciation
- 106. An agent is authorized to accept a deposit on behalf of the seller, this is found in which of the following contracts:**
- A. Listing agreement
 - B. Purchase agreement
 - C. Escrow instructions
 - D. Loan documents
- 107. A lessee may abandon the property by all of the following, except:**
- A. When property becomes dilapidated due to tenants negligence
 - B. Condemnation by eminent domain
 - C. Failure of the landlord to make repairs
 - D. Eviction notice
- 108. Broker Marshall sold to Sanders a property AS IS. Marshall and seller knew about problems with the plumbing. Sanders after close of escrow discovered the problems with the plumbing. If the buyer wants to seek legal proceedings, he will be:**
- A. Successful because the duty to disclose material fact cannot be avoided by AS IS
 - B. Not successful because the property was sold AS IS
 - C. The buyer's responsibility is to hire a professional home inspector
 - D. As Is provisions the buyer must accept the property on its present condition

- 109. The authority that prohibits an agent to do an act of fraud is found in:**
- A. Business and professions code
 - B. Listing agreement
 - C. Real estate office conduct
 - D. Based on advantage of an agent to sell the property
- 110. As to ethics, the best guidelines to determine if an action is ethical will be found in which of the following:**
- A. The "Realtor's Golden Rule."
 - B. The Business and Professions Code.
 - C. The conduct of other real estate agents in your office.
 - D. What is in the best interest of the
- 111. Eminent Domain may be exercised by:**
- A. Cities
 - B. Public utilities
 - C. Public education
 - D. Any of the above
- 112. What State agency would be a consumer contact in order to obtain a written report disclosing the presence of wood destroying organisms?**
- A. Department of Real Estate
 - B. Department of Corporations
 - C. Department of Housing and Development
 - D. Structural Pest Control Board
- 113. A board foot is:**
- A. Six inches by twelve inches by three inches
 - B. Six inches by six inches by six inches
 - C. Twelve inches by six inches by four inches
 - D. Six inches by twelve inches by two inches
- 114. In order for a broker to be able legally to claim a commission on an exclusive right to sell listing, which of the following termination dates would be appropriate?**
- A. Until either principal or agent gives proper notice of rescission.
 - B. 120 days after completion of the improvements.
 - C. For 180 days from the date the listing agreement is signed by the contracting parties.
 - D. For 90 days after a conditional commitment is issued by the FHA.
- 115. Amezcua was asked to disclose her ethnicity in the loan application:**
- A. Sue the real estate broker
 - B. Refuse to disclose the portion of the loan application
 - C. Must fill in the entire application including the ethnicity disclosure
 - D. Do nothing

116. **If the buyer and seller agree to prorate property taxes as of the date of the close of escrow; and escrow closes on May 1st, and the current annual tax bill of \$1,380 has been paid, the escrow agent would appropriately debit the buyer for:**
- A. \$130
 - B. \$230
 - C. \$115
 - D. \$680
- $$\begin{aligned} \$1380 / 12 &= \$115 \\ \$115 \times 2 &= \$230 \end{aligned}$$
117. **When a home is financed under the State of California Veterans Farm and Home Purchase Plan, which of the following documents is used?**
- A. A real property purchase contract
 - B. Listing agreement
 - C. A grant deed
 - D. A mortgage
118. **Which of the following is a fiduciary relationship?**
- A. Buyer to seller
 - B. Landlord to tenant
 - C. Sellers to appraisal
 - D. Agent to principle
119. **The earthquake booklet was not necessary to be disclosed if property was built after:**
- A. 1957
 - B. 1960
 - C. 1975
 - D. 1978
120. **Under which of the following listings can the seller refuse to pay a commission even if the agent is procuring cause?**
- A. Open listing
 - B. Exclusive right to sell listing
 - C. Exclusive agency listing
 - D. Net listing
121. **Functional Utility is:**
- A. Marketability
 - B. Location
 - C. Layout
 - D. Desire
122. **In the event a home was constructed in high quality cost of \$190,000 at the neighborhood of \$100,000 value homes. This is an example of:**
- A. Progression
 - B. Social obsolescence
 - C. Functional obsolescence
 - D. Economic obsolescence

- 123. Which of the following is not a valid reason for the seller to terminate an exclusive listing?**
- A. The broker's license was revoked
 - B. The seller declared bankruptcy
 - C. One of the seller's relatives gets a real estate license and the seller wants her to have the listing
 - D. The broker was declared mentally incompetent after signing the listing
- 124. Hanson wants to buy a property and talks to Broker Cohen about that particular property that he wants to buy. Broker Cohen contacts the property owner and tells him that Hanson wants to buy his property. The owner tells the broker that the property is not for sale. Three months later, Hanson found out that the seller entered into a purchasing contract with Hanson. Under this circumstances broker Cohen:**
- A. Sue for his commission
 - B. Sue for his time and labor
 - C. Get pays a finders fee
 - D. Entitle to nothing
- 125. In applying the principles of Easton vs. Strassburger case, the real estate licensees are obligated to give prospective buyers:**
- A. A list of obvious defects and functional obsolescence.
 - B. A list of known defects and those that should be known
 - C. A strong recommendation that the buyer obtain a home inspection.
 - D. A disclosure forcing the buyer to take the property "as is".
- 126. Mr. Arturian granted a property to Macy with a condition not to drink alcohol beverages. Macy's ownership is now described as:**
- A. Fee simple defeasible
 - B. Conditional
 - C. Agreement
 - D. Fee simple
- 127. The maximum fine that may be imposed by the Real Estate Commissioner against a broker who pays an unlicensed person for soliciting borrowers or negotiating real estate loan is:**
- A. \$1,000
 - B. \$5,000
 - C. \$10,000
 - D. \$50,000
- 128. In the event a person is discriminated against in violation of Title VIII of the Civil Rights Acts of 1968, that person may seek relief by:**
- A. Filing a Civil Action in a State Court.
 - B. Filing a Complaint with the Secretary of HUD.
 - C. Filing a Civil Action in a Federal Court.
 - D. Any of the above.

129. **Police power to divide the land into districts is by:**
- A. Eminent domain
 - B. Condemnation
 - C. Zoning
 - D. Down zoning
130. **Which kind of relationship does the salesperson not have?**
- A. Attorney-in-fact
 - B. Broker-client
 - C. Fiduciary
 - D. Attorney-client
131. **Which of the following is a commercial acre?**
- A. Any parcel of 43,560 square feet
 - B. An acre located outside of an R zoning
 - C. An acre after deductions for streets, sidewalks, curbs and alleys
 - D. An acre zoned for commercial purposes
132. **The purpose of the assessment roll, as compiled by the assessor's office is:**
- A. Determination of the actual tax to be paid by the property owner.
 - B. The equalization of the assessments among the various properties.
 - C. The setting of the tax rates.
 - D. The establishment of the tax base.
133. **Buyer makes offer to buy a home including all the appliances. Seller is willing to accept offer, but will not include all of the appliances. Agent crossed out buyer's requirement for all appliances without the knowledge or consent from the buyer. Seller then accepted the "modified offer." Agent's action was:**
- A. Unethical, but not illegal
 - B. Legal, if seller was aware of agent's action
 - C. Common practice by most real estate agents
 - D. Illegal
134. **An estate at sufferance:**
- A. Possession of the lease after expiration of his lease term
 - B. Possession of the lease after expiration of his lease term with seller's approval
 - C. Possession of the lease during the lease
 - D. Eviction of the lease for non-payment of rent
135. **Jack leases a single family dwelling property from Mr. Michaels. After the lease agreement is signed and Jack moves in, Mr. Michaels insists that Jack to sign a contract with an agreement to make substantial capital improvements to the property. This requirement by the lessor would render the lease contract:**
- A. Valid
 - B. Voidable by the lessor
 - C. Voidable by the lessee
 - D. Void

136. Jackson leased his home to Sullivan with a verbal agreement to sell the property to Sullivan. Jackson knows that Sullivan has been making significant improvements to the property in reliance on the verbal agreement. Jackson now declines to sell the property to Sullivan. Which of the following best describes the rights of the parties?
- A. Jackson must sell because he made an ostensible agreement
 - B. Sullivan has no right to enforce the verbal agreement
 - C. Jackson must sell because the doctrine of estoppels will apply in this case
 - D. Jackson does not have to sell because of the Statute of Frauds

137. Bank lends 80% of appraised value with interest rate at 11%. First year's interest was \$7,040. What was the appraised value?

- A. \$64,000
- B. \$76,000
- C. \$80,000
- D. \$85,000

$$\begin{aligned} \$7,040 / 11\% &= \$64,000 \text{ loan amount} \\ \$64,000 / 80\% &= \$80,000 \text{ appraisal value} \end{aligned}$$

138. The SW ¼ of the NW ¼ of Sec. 5 is valued at \$800 per acre. The S ½ of the NE ¼ of Sec. 8 is valued at \$500 per acre. What is the difference in value between the two parcels?

- A. \$6,000
- B. \$8,000
- C. \$10,000
- D. \$12,000

$$\begin{aligned} \text{SW } \frac{1}{4} \text{ of the NW } \frac{1}{4} \text{ of section 5} &= 40 \text{ acres} \times \$800 = \$32,000 \\ \text{S } \frac{1}{2} \text{ of the NE } \frac{1}{4} \text{ of section 8} &= 80 \text{ acres} \times \$500 = \$40,000 \\ \$40,000 - \$32,000 &= \$8,000 \end{aligned}$$

139. The original amount of a straight note that calls for interest payment of \$60 per month based on a rate of 8% per annum is:

- A. \$4,000
- B. \$7,500
- C. \$9,000
- D. \$12,000

$$\begin{aligned} \$60 \times 12 &= \$720 \text{ per year} \\ \$720 / 8\% &= \$9,000 \end{aligned}$$

140. Wong bought a vacant lot for \$17,424 and wants to sell the lot to make a 40% profit after paying a 10% commission. What price must he sell the lot for?

- A. \$24,393
- B. \$27,104
- C. \$28,395
- D. \$31,402

$$\begin{aligned} \$17,424 \times 140\% &= \$24,393 \\ \$24,393 / 90\% &= \$27,104 \end{aligned}$$

141. An investor purchased a trust deed and note at a 20% discount. This was one year fully amortized note with a face amount of \$4,500 with payments of \$393 per month including 9% interest. If the investor holds the note for a full year, the yield on the investor's original investment would be:

- A. 29%
- B. 31%
- C. 24%
- D. 36%

$$\begin{aligned} \$4,500 \times 20\% &= \$900 & \$393 \times 12 &= \$4,716 \\ \$4,716 - \$4,500 &= \$216 & \$900 + \$216 &= \$1,116 \\ \$4,500 - \$900 &= \$3,600 & \$1,116 / \$3,600 &= 31\% \end{aligned}$$

142. **On August 5th, a buyer gave broker Gutierrez a personal check for \$1,000 made payable to the seller. The buyer instructed broker Gutierrez that the check should be held un-cashed until August 30th. Broker Gutierrez must do following:**
- A. Not accept the deposit
 - B. Return the deposit to the buyer
 - C. The broker may accept the deposit and instruct the seller that the check has to be held until August 30th
 - D. Do not accept personal checks
143. **Which of the following factors would tend to make real estate values unstable in a residential neighborhood?**
- A. An increasing amount of average priced homes are being constructed in a neighborhood with a number of high priced homes
 - B. Local zoning restrictions limit or prohibit the construction of multiple family units
 - C. The residents of a neighborhood are of the same ethnic background and religious beliefs
 - D. The sub divider demands that all homes to be constructed by those purchasing lots be a minimum number of square feet and value
144. **Misuse of the term “Realtor” is:**
- A. A violation of the California Real Estate Law
 - B. A felony offense
 - C. Unethical but not illegal
 - D. Only unethical in California
145. **When the Real Estate Commissioner wishes to proceed against a licensee for a suspected violation for the Real Estate Law, the Commissioner must first serve the real estate licensee with:**
- A. A complaint
 - B. A demurrer
 - C. A statement of issues
 - D. An accusation
146. **Federal law requires sellers, landlords, and remodelers to disclose known information of lead-based paint hazards. It is assumed that lead paint was last used on homes built before:**
- A. 1952
 - B. 1967
 - C. 1978
 - D. 1989
147. **When applying the capitalization of net income approach to establish the value of an income property, which of the following would not be included as an expense?**
- A. Cost of capital
 - B. Utilities
 - C. Property management
 - D. Reserves for replacement of improvements.

- 148. The owner of land owns riparian rights to water on, under, or adjacent to the land in which of the following:**
- A. Oceans and bays
 - B. Rivers or streams
 - C. Underground caves with water
 - D. All of the above
- 149. John owns a lot that measures 150 feet deep by 50 feet wide. The zoning laws require a 20 foot front setback and 4 foot setback on both sides and at the back. The building size of this lot is:**
- A. 5,292 square feet
 - B. 5,560 square feet
 - C. 6,556 square feet
 - D. 6,800 square feet
- $150 - 24 = 126$
 $50 - (4 \times 2) = 42$
 $42 \times 126 = 5,292$
- 150. The broker has an oral listing to sell real property. The broker presented an offer which the seller accepted. The seller then requested to broker to give him the buyer's deposit check:**
- A. The broker must give the check to the seller
 - B. The broker must deposit the check in escrow
 - C. The broker must deposit the check in the trust account
 - D. Return the deposit to the buyer

**EXAM 2
ANSWERS**

- | | | | |
|-------|-------|--------|--------|
| 1. B | 41. A | 81. A | 121. C |
| 2. A | 42. C | 82. D | 122. D |
| 3. C | 43. D | 83. B | 123. C |
| 4. C | 44. B | 84. A | 124. D |
| 5. A | 45. A | 85. A | 125. B |
| 6. D | 46. C | 86. A | 126. A |
| 7. A | 47. D | 87. A | 127. C |
| 8. D | 48. A | 88. A | 128. D |
| 9. D | 49. B | 89. D | 129. C |
| 10. C | 50. B | 90. D | 130. D |
| 11. A | 51. C | 91. D | 131. C |
| 12. A | 52. B | 92. B | 132. D |
| 13. A | 53. D | 93. D | 133. D |
| 14. D | 54. C | 94. A | 134. A |
| 15. B | 55. A | 95. D | 135. C |
| 16. D | 56. A | 96. A | 136. C |
| 17. D | 57. A | 97. A | 137. C |
| 18. A | 58. C | 98. A | 138. B |
| 19. B | 59. D | 99. D | 139. C |
| 20. D | 60. D | 100. D | 140. B |
| 21. A | 61. D | 101. D | 141. B |
| 22. D | 62. A | 102. C | 142. C |
| 23. D | 63. A | 103. A | 143. A |
| 24. A | 64. A | 104. D | 144. A |
| 25. A | 65. B | 105. A | 145. D |
| 26. B | 66. B | 106. A | 146. C |
| 27. B | 67. C | 107. A | 147. A |
| 28. A | 68. B | 108. A | 148. B |
| 29. C | 69. D | 109. A | 149. A |
| 30. A | 70. A | 110. B | 150. A |
| 31. D | 71. C | 111. D | |
| 32. D | 72. A | 112. D | |
| 33. A | 73. A | 113. D | |
| 34. C | 74. D | 114. C | |
| 35. C | 75. D | 115. B | |
| 36. A | 76. B | 116. B | |
| 37. C | 77. A | 117. A | |
| 38. C | 78. A | 118. D | |
| 39. A | 79. D | 119. B | |
| 40. C | 80. A | 120. D | |

PRACTICE EXAM 3

1. **Which of the following is easement for non-use?**
 - A. Prescriptive easement
 - B. Appurtenant easement
 - C. In gross easement
 - D. Gross easement

2. **Which of the following would be considered a real property?**
 - A. A maturing grape crop under a sales contract
 - B. Trade fixtures
 - C. A built in refrigerator in a mobile home that is not attach to the foundation
 - D. A bearing wall in a single family house

3. **A real estate broker may have difficulty with personal property because its ownership rights and identification. This is because personal property can:**
 - A. Be alienated
 - B. Be hypothecated
 - C. Become real property
 - D. All of the above

4. **Alienation is the opposite of:**
 - A. Acquisition
 - B. Abrogation
 - C. Avulsion
 - D. Amortization

5. **A deposit to purchase real estate is held by escrow. In case of a conflict as specified in the purchase agreement. When is the escrow allowed to disburse the deposit?**
 - A. Agreement of the parties
 - B. After a judgment
 - C. Arbitration
 - D. All of the above

6. **When an owner acquires land with riparian rights, such rights:**
 - A. Give the purchaser absolute ownership of adjacent waters
 - B. Must be expressed in the deed
 - C. May be determined accurately from an examination of public records
 - D. Are only available to land adjacent to moving water, a stream or brook within the Watershed

7. **The agent's commission for negotiating a real property lease is fixed by:**
 - A. Real Estate Law
 - B. Law only if the term is one year or less
 - C. Agreement only if the term is over one year
 - D. Agreement

8. **When rent is computed on the gross sales of a business, the lease is correctly termed:**
A. A net lease
B. A gross lease
C. A voidable lease
D. A percentage lease
9. **Which of the following is easement for non-use?**
A. Express reservation in a deed
B. A quitclaim deed from a valid owner
C. Prescriptive
D. Implication
10. **The rights or power to sell property in the event of a default under the terms of the trust deed is given by:**
A. Trustee to the trustor
B. Buyer to the beneficiary
C. Buyer to seller
D. Trustor to trustee
11. **The purpose of the Truth-in-Lending Act is to:**
A. Regulate usurious charges for credit
B. Establish a maximum annual percentage rate
C. Assure a meaningful disclosure of credit terms to the buyer
D. Limit the cost of credit to the consumer
12. **Which of the following indicators would best define the purchasing power of the U.S. dollar?**
A. Discount rate
B. Gold standards
C. Interest rates on treasury notes
D. Price indexes
13. **Conversation about a real estate finance that includes a reference to “warehousing” activity would probably be referring to:**
A. Securities registered with the Securities and Exchange Commission
B. Large storage buildings used to secure real property loans
C. A mortgage banker collecting loans prior to resale
D. None of the above
14. **Lenders sometimes require borrowers to deposit amounts with the monthly mortgage payments to cover some costs related to the property. Which of the following would not be included in such impounds?**
A. Payments for special assessments related to the improvements of the public areas
B. County/ city property taxes
C. Monthly interest
D. Insurance premiums

- 15. The assessment roll for real property taxes is the listing of all taxable properties in the assessor's jurisdiction with the assigned assessed value for the properties. The purpose of the assessment roll is for:**
- A. Establishment of the tax base
 - B. Equalization of assessments
 - C. Establishment of the actual tax amount
 - D. Setting the tax rate
- 16. Reserves or impounds of all of the following are recurring costs by a lender, except:**
- A. Special improvements assessments
 - B. City county, Property taxes
 - C. Insurance Premiums
 - D. Monthly interest mortgage
- 17. Which of the following persons would usually be in the weakest position against loss of property due to a claim of title by an outside person?**
- A. A holder of a certificate of title to property used by a title company
 - B. A holder of a recorded deed who rents the property
 - C. A holder of an unrecorded deed who occupies the property
 - D. A holder of an unrecorded quitclaim deed who does not occupy the property
- 18. Valuable, adequate, and good sufficient means:**
- A. Performance
 - B. Just compensation
 - C. Consideration
 - D. Bilateral contract
- 19. Dual Agency is legal if:**
- A. All parties know about it before close of escrow
 - B. Signing all contracts
 - C. The buyer and seller consent to it
 - D. Broker and escrow agree to it
- 20. Which of the following is most nearly correct concerning buyer's agency?**
- A. It is not legal in California
 - B. In buyer's agency, the seller is forbidden to pay any commission directly or indirectly to the buyer's agent
 - C. Buyer's agency often gives rise to dispute over who is the "procuring cause"
 - D. The buyer's broker has no agency relationship with the seller or the listing broker and is therefore not liable for their actions
- 21. If a broker is an agent of the seller, he owes to the buyer:**
- A. The same fiduciary obligations
 - B. Only the duty to answer questions honestly
 - C. Only a duty to disclose any items which relate directly to the sales price
 - D. A duty of fair and honest dealing

22. **Buyer Clark contacted broker Jacob to find out if Jacob had a listing on a certain property that buyer Clark was interested in purchasing. Broker Jacob did not have a listing on the property he questioned but informed buyer Clark that he would get the full details and relates it to him. The broker then contacted the property owner in attempt to obtain a listing and informed the owner that buyer Clark was interested in purchasing the property. The owner refused the listing by informing the broker that the property was not for sale and that he would not list the property with any brokers. Two months later, broker Jacob was informed that the owner had in fact sold the property to Clark without broker Jacob's knowledge. Given these conditions:**
- A. Jacob is entitled to a reasonable commission from the owner
 - B. Buyer Clark is liable to broker Jacob for a reasonable commission
 - C. Broker Jacob has invested time and labor in the transaction and therefore could recover a reasonable amount for the investment of time and labor
 - D. Broker Jacob is entitled to nothing
23. **Mr. Miller executed a full price offer to purchase Taylor's property through Broker Micks who held an exclusive authorization and right to sell listing. As the broker was leaving the office, he received another offer for \$1,000 less than the listed sales price but which contained a larger down payment and other different terms. Micks, the listing broker, should:**
- A. Tell the other broker that the property has already been sold
 - B. Present both offers at the same time
 - C. Present the offers to the sellers in the same order that he received them
 - D. Present the second offer only if the first offeree appears to be a credit risk
24. **A real estate agent may legally represent all principals in the same transaction if:**
- A. He has informed all the parties
 - B. He has obtained consent of all to this agency relationship
 - C. Collecting commission for both parties with knowledge of the others
 - D. All of the above
25. **In July, Spencer bought Long's home through the listing broker Ceeley. Ceeley in November, when the first rain came, the tile roof leaked badly in many places. Spencer sued Long and broker Ceeley for the cost of the necessary new roof. Testimony in court showed that Long had mentioned the need of a new roof to Ceeley, but Ceeley had not mentioned it to Spencer because he had not asked about it. The result is most likely:**
- A. Spencer was successful in the suit against Ceeley and Long was entitle to recover damages from broker Ceeley
 - B. Spencer recovered from Ceeley only
 - C. Long is not liable
 - D. Spenser is not entitle to recover from anybody

26. **If a seller of real property inquired to his broker concerning the ethnic background of a prospective buyer, the broker:**
- A. Should secure the permission of the buyer's broker before revealing such information
 - B. Is obligated by fiduciary duty to disclose all material facts and therefore must disclose the requested information
 - C. Violates the California Fair Housing Act (the Rumford Act) if he gives the seller the requested information
 - D. Could give the seller the requested information as long as it is pointed out that the information may not be used to discriminate against the buyer
27. **When a seller makes a counter offer:**
- A. The offeror may change the terms without the consent of the other party
 - B. The offeror may not change the terms
 - C. The offeree becomes the new offeror
 - D. The offeror and offeree mutually agree to terminate the agreement
28. **If a broker receives a personal check made payable to an independent escrow company from a buyer as a deposit on the purchase price, the broker:**
- A. Must have the buyer re-issue the check to the broker so that it can be placed in the broker's trust account
 - B. Must maintain a columnar record of the deposit
 - C. Must deliver the check to the escrow
 - D. Is not required to maintain a record of the check since it was made payable to the escrow company
29. **Broker Abe took a listing from Mr. Cain on a commercial property. Broker Abe then presented an offer from the XYZ Company that was above the listed price. Mr. Cain accepted the offer. However, the broker did not tell Mr. Cain that he was one of the principals in the XYZ Company. Concerning the sale, the:**
- A. Broker is subject to a fine by the Commissioner
 - B. Seller could cancel the contract
 - C. Seller could do nothing since he has sold above the listed price
 - D. Seller must pay a commission
30. **Since Harris did not have the necessary \$285,000 cash to purchase 300 acres of land for future subdivision, Nishimoto agreed to purchase the land and enter into a conditional installment sale contract with Harris, selling him the land for \$298,000. Assuming only the above, this is a:**
- A. Voidable transaction by Harris
 - B. Void transaction
 - C. Disguised mortgage transaction
 - D. Valid purchase and resale transaction
31. **Attorney in fact is:**
- A. A principal who has implied powers
 - B. Any legal competent person who has received a power of attorney from another person
 - C. Any person acting as a dual agent
 - D. Any attorney acting as an executor

32. **An executed contract is a contract:**
- A. Completed and fully performed by both parties
 - B. Under jurisdiction of probate court
 - C. Signed, notarize, and recorded
 - D. Novation
33. **In which of the following transactions is the agent required to disclose his or her agency relationship?**
- A. The exchange of a commercial property
 - B. The sale of a residential triplex
 - C. The sale of an office building
 - D. An installment sale of a theater
34. **Jimmy built a house on speculation and sold it for \$282,000 receiving \$262,000 cash from the proceeding of new financing and a \$20,000 note secured by a second deed of trust. In order to build a second house on another lot, Jimmy would like to borrow \$50,000. If he uses the \$20,000 note as part of the security, the note in this circumstance would be a:**
- A. Chattel mortgage
 - B. Purchase money mortgage
 - C. Holding agreement
 - D. Pledge
35. **Mr. Wilson made an offer to purchase real property. However, she died of a heart attack before the listing broker could notify her of an unqualified, signed acceptance by the seller. Based on these facts, which of the following is true?**
- A. Notification to the administrator or executor would bind the Wilson State
 - B. The death of Wilson constituted a revocation of the offer
 - C. The offer and acceptance constitute an enforceable contract
 - D. The sale would not be binding because the deed was not delivered before Wilson's death
36. **A real estate licensee acts as:**
- A. Ratification
 - B. Ostensible agent
 - C. Dual agency
 - D. Fiduciary
37. **A flood hazard report is required as part of filing for a subdivision public report. If a flood hazard exists, the degree of hazard must be reported. The degrees of flood hazard are:**
- A. Inundation, sheet overflow, and ponding of local storm water.
 - B. Accretion, avulsion, and alluvium
 - C. Frequent, infrequent, and remote
 - D. Below water table, water table level, and above water table

38. **Ross, who owns a commercial building, enters into a seven-year lease with Roberts for the property. In your opinion, Robert's lease is:**
- A. An estate for years
 - B. Personal property
 - C. A chattel real
 - D. All of the above
39. **Which of the following is real property?**
- A. Stock in a mutual water company
 - B. A trust deed
 - C. A mortgage
 - D. None of the above
40. **Inflationary trends in the housing market affect:**
- A. Market values
 - B. Market values and sales prices
 - C. Sales prices only
 - D. Demand for housing
41. **Which of the following items might be short-rated by the escrow holder?**
- A. Fire insurance
 - B. Title insurance
 - C. Real estate taxes
 - D. Interest
42. **Alienation expresses a meaning most completely opposite to:**
- A. Acquisition
 - B. Abrogation
 - C. Avulsion
 - D. Amortization
43. **Which of the following is acceptable response to sellers who have indicated their home is not to be shown to sales of prospects who are members of the ethnic minority group?**
- A. I can show it to anyone I want
 - B. This conditions we will get a better price value and won't drop
 - C. I cannot accept the listing on your property because it's prohibited from discrimination
 - D. With unacceptable terms they won't be interested
44. **Mr. Abdul owned an unencumbered lot and decided to build a single family residence on it. He bought \$8,000 worth of lumber and had it delivered to the property. One week later, he obtained a construction loan for \$150,000 from People's Savings and Loan Association. The loan was recorded after the lumber was delivered. Later more lumbers were delivered and subsequently the completed structure was painted. When the lumber company could not collect \$8,000 on the amount owed and the painter could not collect \$3,000 for the painting; they each filed a mechanic's lien. If the property is sold at a foreclosure sale and nets \$150,000, the amount received by People's Savings and Loan would be:**

- A. \$150,000
- B. \$139,000
- C. \$142,000
- D. Nothing

45. **A seller was presented an offer on his home which he immediately accepted. The acceptance was communicated to the buyer. Before escrow was opened, the seller found another buyer who was willing to pay all cash. He decided to cancel the original contract and notified the broker of his decision. Under these circumstances:**
- A. The broker is entitled to no compensation
 - B. The broker has an excellent legal basis to collect a commission
 - C. The deposit must be returned to the buyer and the buyer has no further claim against the seller
 - D. All of the above
46. **The holder of an easement that is not attached to any lands owned by the easement holder has:**
- A. An appurtenant easement
 - B. An easement in gross
 - C. A servient tenement
 - D. An easement by necessity
47. **When a real estate broker negotiates the sale of used mobile home, it is the broker's responsibility to give written notice of transfer to the Department of Housing and Community Development within:**
- A. 3 calendar days
 - B. 5 calendar days
 - C. 10 calendar days
 - D. 10 business days
48. **The maximum amount of a broker's personal funds that may keep in his or her trust account without being guilty of commingling is:**
- A. \$100
 - B. \$200
 - C. \$300
 - D. \$400
49. **When a licensee acts as an agent without authority or color of authority and the acts are later approved by the principal, an agency has been created by:**
- A. Implication
 - B. Estoppel
 - C. Ratification
 - D. Agreement

50. **Bank lends 80% of appraised value with interest rate at 11%. First year interest was \$7,040. What was the appraised value?**
 A. \$64,000 $\$7,040 / 11\% = \$64,000$ loan amount
 B. \$76,000
 C. \$80,000 $\$64,000 / 80\% = \$80,000$ appraisal value
 D. \$85,000
51. **The following instructions were given to a real estate agent to sell properties in a new subdivision:**
Instruction 1: Sell to women rather than men
Instruction 2: Try to sell homes in equal numbers to Hispanics, Asians, Africans and Caucasians
Which instruction is a violation to Fair Housing Act?
 A. Sell to women rather than men is discrimination
 B. Try to sell homes in equal numbers to Hispanics, Asians, Africans and Caucasians is discrimination
 C. None of the above
 D. Both A and B
52. **A home owner needed \$9,000 to pay for child's education. The lender arranged an equity loan for the amount of \$9,600. The lender must now present the borrower with the following:**
 A. Good faith estimate
 B. Schedule of payments
 C. Mortgage loan disclosure statement
 D. Amount of payments
53. **Jackson sold a condominium to William for \$90,750. William assumed an existing loan for \$30,000. If there is no other agreement and the tax rate is 55% for each \$500, the most nearly amount of tax to be paid is:**
 A. \$57
 B. \$100 $\$90,720 - \$30,00 = \$60,750$
 C. \$83 $\$60,720 / \$500 = \$121.5$
 D. \$67 $\$121.44 \times 55\% = \$66.792 = \$67$
54. **The current use of a building to its highest and best use is called:**
 A. Present use
 B. Future use
 C. Economic use
 D. Interim use
55. **To an appraiser, the method used to evaluate a shopping center is:**
 A. Comparison approach
 B. Income approach
 C. Cost approach
 D. Data approach

56. Which of the following types of listing enables the broker to represent the seller as the agent or allows the broker to purchase the property himself?
- Exclusive Agency
 - Option listing
 - Open listing
 - Exclusive right to sell
57. In 1998, broker Drake acted as the agent for 3 different principals in the purchase of 3 apartment buildings. Later, the purchasers were able to prove that broker Drake had misrepresented the income on the properties and each principal was able to obtain a judgment for damages against Drake in the amounts of \$10,000, \$15,000, and \$25,000. If broker Drake is now bankrupt and each principal seeks reimbursement from the Real Estate Recovery Account. The claimant with the \$25,000 judgment would receive:
- \$10,000
 - \$15,000
 - \$20,000
 - \$25,000
58. An unlicensed employee may not do all of the following in a real estate office, except:
- Quote interest rates
 - Quote property values
 - Type the listings for the salespersons
 - Show properties for the salesperson
59. Vargas owned 3 sections of vacant land. He sold eight parcels of 80 acres each at a price of \$160,000. He then sold the remaining landing parcels of 160 acres each at a price of \$400,000 per parcel. Based on this information, the total selling price for the 3 sections of land was:
- | | |
|----------------|--|
| A. \$1,280,000 | $3 \times 640 = 1920 \text{ acres}$ |
| B. \$2,560,000 | $8 \times \$160,000 = \$1,280,000$ |
| C. \$3,200,000 | $8 \times 80 = 640 \text{ acres}$ |
| D. \$4,480,000 | $1,920 \text{ acres} - 640 \text{ acres lots} = 8 \text{ parcels}$ |
| | $8 \times \$400,000 \text{ each} = \$3,200,000$ |
| | $\$3,200,000 + \$1,280 = \$4,480,000$ |
60. Which of the following listings may the owner cancel the listing even if it was sold through the agent's efforts?
- Exclusive right to sell listing
 - Net listing
 - Open listing
 - Multiple listing service
61. Which of the following rights of ownership in real estate may an individual not have?
- Eminent domain rights
 - Adverse condemnation
 - Subject to transfers
 - Riparian rights

62. **Willy paid \$17,424 for a vacant lot which had area of 21,780 sqft and was 140 ft deep. He then sold the lot and made a 40% profit after paying a 10% commission to Broker John. At what price per front foot did the lot sell?**
- A. \$155
 - B. \$174
 - C. \$193
 - D. \$200
63. **The owner of a condominium unit in a condominium development is selling her unit and wants to place a “For Sale” sign on the property. If the CC&Rs prohibit the posting of a “For Sale” sign in the complex, the owner:**
- A. Is legally permitted to post a sign if it is of reasonable proportions
 - B. Must adhere to the restriction in the CC&Rs
 - C. Must obtain permission from a majority of the other owners in the project
 - D. Must obtain permission from the owners immediately adjacent to her unit
64. **BTU (British Thermal Unit) refers to:**
- A. Foundations
 - B. Heating systems
 - C. Conduits
 - D. Hip roofs
65. **A Disclosure Statement regarding any earthquake hazard must be given to a prospective purchaser by the seller or the seller’s agent. This statement must contain which of the following information:**
- A. Location of power lines, flood zones and other hazards
 - B. Whether the property is or is not in an official earthquake fault zone
 - C. The location of all emergency services
 - D. All of the above
66. **Which of the following is not related to income tax?**
- A. Increase in population
 - B. Tax deferred
 - C. Homestead
 - D. Increase in population
67. **Multiple apartment buildings are represented by?**
- A. A3
 - B. C3
 - C. M3
 - D. R3
68. **Increase in value with the passage of time is known as:**
- A. Cash flow
 - B. Appreciation
 - C. Return on the investment
 - D. Capital gain

- 69. If you are asked to appraise a property built in 1910 for the present, which of the following would you use?**
- A. Cost of living index in 1910
 - B. Original cost in 1910
 - C. Cost of living index
 - D. Today's cost of reproduction less depreciation
- 70. A footing is which of the following?**
- A. A masonry course upon which the mudsill is fastened
 - B. Square blocks of concrete placed under floor joists
 - C. A slab of concrete in the rear yard area used for recreational purposes
 - D. A heavy concrete course placed in the ground upon which the concrete foundation is set
- 71. When used in real estate, which of the following terms are usually used with such adjectives as "good", "sufficient", "adequate" and "valuable"?**
- A. Unilateral contract
 - B. Performance
 - C. Consideration
 - D. Commission
- 72. A licensee who speaks of a "grandfather" clause is probably referring to:**
- A. Inheritance rights of a direct descendant
 - B. Public restrictions on the use of a property
 - C. A change in zoning
 - D. Continuation of a non-conforming use
- 73. For appraising purposes, when making adjustments in the direct comparison analysis:**
- A. Any differences in the subject property are adjusted to the market norm
 - B. Comparables are adjusted to the market norm
 - C. Comparables are adjusted to the characteristics of the subject property
 - D. Subject property is adjusted to the standards set by the comparables
- 74. When buying a single family residence with the aid of an unlicensed person. If the unlicensed person receives compensation, the agency that will prosecute the unlicensed person is:**
- A. District attorney of the respective county
 - B. Real estate commissioner
 - C. Police department
 - D. Superior court
- 75. As to ethics, the best guidelines to determine if an action is ethical will be found in which of the following:**
- A. The "Realtor's Golden Rule"
 - B. The Business and Professions Code
 - C. The conduct of other real estate agents in your office
 - D. What is in the best interest of the real estate licensee

- 76. A real estate broker presented an offer to the seller, and the seller accepted. During escrow, the seller discovered that the buyer was the brother of the broker. This relationship was not disclosed in the offer. Under these circumstances:**
- A. It is a good chance to damage the broker license
 - B. No illegal action if the offer is not less than the listed price
 - C. Cancel the transaction without liability for the commission
 - D. None of the above
- 77. Wilson signed an offer before the broker could obtain unqualified signed acceptance of the offer from the seller and Wilson died of a heart attack. The contract is in now:**
- A. Notification to administrator could bind the Wilsons estate
 - B. Death of Wilson is the renovation of the offer
 - C. Unqualified acceptance is an enforceable contract
 - D. No binding deed was not delivered prior to Wilsons death
- 78. A “release clause” in a trust deed provision:**
- A. Relieves purchaser who takes a subject to trust deed from paying a deficiency judgment case of foreclosure
 - B. Relieves a co-grantor from further liabilities
 - C. Creates a lien only on taxes and assessments
 - D. Allows portion of the property given as security to be removed from the trust deed lien upon performance of an act of a specific act
- 79. Who is in charge of constructing street’s utilities and curbs?**
- A. The city
 - B. Developer
 - C. County
 - D. Construction crew
- 80. Which of the following is synonymous?**
- A. Interim loan/ Take out loan
 - B. Construction loan/ Interim loan
 - C. Take out loan/ Construction loan
 - D. Take out loan/ Progress loan
- 81. Who is in charge of the direct enforcement of building codes?**
- A. Real estate commissioner
 - B. Zoning laws
 - C. Building inspector
 - D. Developer
- 82. If title and possessions are not concurrent at the close of escrow, the agent must create:**
- A. Interim occupancy agreement
 - B. A new purchase contract
 - C. Charge interest
 - D. Notify the lender

- 83. A prepayment penalty clause on a loan means:**
A. Penalty to a borrower who makes advance payments
B. Increase discount points on a government loan
C. Borrow additional money on the same trust deed
D. Pay off the entire loan
- 84. Turn Key project is:**
A. Approved by the authorities
B. Construction project completed ready for occupancy
C. Interior of subdivision
D. Rural subdivisions
- 85. A developer who owned a large parcel of land wanted to subdivide the parcel and sell individual lot to potential builders of single-family residences. In order to finance the costs of improving the parcel with streets, sidewalks, and gutters, and to be able to pass these costs on to the purchasers, the subdivider would use:**
A. Land Sales Contracts
B. First and second trust deeds
C. Mello-Roos Municipal bonds
D. Improvement bonds
- 86. If a loan with a due on sale clause taken over “Subject to” without the consent of the lender, then:**
A. The loan may be accelerated
B. The buyer may lose the property to foreclosure when obtaining financing
C. The seller may be held personal liable for loan and deficiency if permitted by law
D. All of the above
- 87. A lien imposed by court in all of the principals property is a:**
A. Specific lien
B. General lien
C. Attachment
D. Mechanics lien
- 88. What is true about legal aspects of real estate law?**
A. Personal property can never become real property
B. Personal property can never be financed
C. Personal property can become real property
D. Real property only includes personal property
- 89. A listing agreement is:**
A. A promise for promise
B. A bilateral contract
C. An employment contract
D. All of the above

- 90. Which of the following is necessary for creation of an agency?**
A. Writing
B. Contract
C. Compensation
D. Mutual consent
- 91. When is permissible to the broker to fill out the transfer disclosure statement?**
A. When the seller is ready
B. Before close of escrow
C. When the agent has instructed to do so by the seller
D. When the agent inspects the property
- 92. Lower the loan to value, higher the:**
A. Equity
B. Price
C. Down payment
D. Higher taxes
- 93. A broker placed the following ads, 4 bedrooms 3 bathrooms, pool, spa, \$154,000 call 991-2345. Which of the following is true about the ads?**
A. Deceptive ad
B. Blind ad
C. Misleading ad
D. Applicable ad
- 94. Demand for non-agriculture properties includes:**
A. Population
B. Income
C. Housing cost
D. All of the above
- 95. A contract between seller and broker to sell is in a form of:**
A. General power attorney
B. Novation
C. Written agreement
D. Assignment
- 96. Customary procedure to enforce private restrictions in real estate is:**
A. Judgment
B. Injunction
C. Indictment
D. Desist and refrain order
- 97. The phrase used by brokers to the principal is:**
A. Fiduciary
B. Ethical
C. Legal
D. Disclosure

- 98. A borrower bought a home for \$162,000. Gradual economic inflation affects the equity to the benefit of the:**
- A. Beneficiary
 - B. Trustee
 - C. Lender
 - D. Trustor
- 99. What is true about escrow?**
- A. Escrow changes from dual agency to single agency for each party
 - B. Escrow is always dual agency
 - C. Escrow represents only the lenders to follow up the day of closing
 - D. Escrow represents only the seller
- 100. Which of the following will least appeared on the buyer's debit side?**
- A. Tax proration
 - B. Insurance proration
 - C. FHA points
 - D. Interest on assume loan record
- 101. Under FHA MMI represents:**
- A. Insures mortgagor in the loss of fire
 - B. Pays off the mortgagor if he dies
 - C. Insures mortgagee in case of foreclosure
 - D. Is paid by the mortgage
- 102. Market value is synonymous with:**
- A. Cost
 - B. Price
 - C. Value
 - D. Value or probable sales price
- 103. The beneficiary on a second trust deed sold it for lesser value, this is an example of:**
- A. Compensating balance
 - B. Insurance
 - C. Discounting
 - D. Profit
- 104. A licensee is entitling under a non-exclusive listing broker, he must prove:**
- A. The procuring cause of sale
 - B. That he was representing the buyer
 - C. That he's receiving no commission
 - D. That he's receiving a full commission
- 105. Rostanian was denied on credit and was denied access to her credit report and explanation for rejection for credit is not given. Rostanian may do which of the following:**
- A. Sue to clear Rostanian's credit
 - B. Sue for attorneys fees
 - C. Damages for pain and suffering

D. All of the above

- 106. Burg bought a mobile home from a dealer. Now Burg wants to sell it. Broker Fisher listed the mobile home. If Fisher wants to sell Burg's mobile home:**
- A. Fisher may sell a mobile that is only park in a mobile home park
 - B. Fisher may sell only brand new mobile homes
 - C. Fisher may sell a mobile home that is attach to a permanent foundation approved and registered
 - D. Burg has to wait 1 year to put the mobile home for sale
- 107. Out of State relatives of an agent want to buy a property. He made an offer to purchase property with a lease and an option to buy. Disclosures must be presented:**
- A. To the owner (seller)
 - B. To seller's broker
 - C. To the relatives
 - D. All of them require disclosure
- 108. An amendment to Transfer disclosure statement to the buyer was not provided:**
- A. Receive an award for damages
 - B. Rescind the offer
 - C. Either A and B
 - D. None of the above
- 109. A compensating clause for commission expired on a listing agreement. The broker verbally notify to the seller of a new buyer. The following day, buyer and seller got together and started negotiations. The broker may charge:**
- A. No commission
 - B. Commission on listed price
 - C. Commission on selling price
 - D. Right to negotiate a commission
- 110. A property built next to a gas station, the owner should:**
- A. Order soil engineer report
 - B. A contractor to build a new wall
 - C. A percolation test
 - D. Toxic waste report
- 111. Ownership rights and interest:**
- A. Absolute conveyances or agreements
 - B. Liens or charges on land
 - C. Estates or fees
 - D. All of the above
- 112. Tax shelter refers to:**
- A. Property taxes
 - B. Cash flow relief
 - C. Interest income
 - D. Income tax

- 113. Land value is estimated on the basis of:**
- A. Selling price of comparables
 - B. Cost approach
 - C. Unit in place method
 - D. Square footage
- 114. Which of the following is requiring for a valid deed?**
- A. Acknowledgement
 - B. Evection on any day of the week except on Sundays
 - C. Property description
 - D. Use of the phrase to have and to hold
- 115. Charge for the preparation of the Uniform Settlement Act is:**
- A. Nothing
 - B. Not to exceed \$10 dollars
 - C. \$100 dollars only
 - D. Only if buyer decides to pay
- 116. Guidance disclosure sequence is as follow:**
- A. Disclosure, election, confirmation
 - B. Confirmation, election, disclosure
 - C. Election, confirmation, disclosure
 - D. Disclosure, confirmation, election
- 117. After an appraiser collected all the data and applied the appropriate appraisal method(s), the next step in the appraisal process is:**
- A. Average the value indicators
 - B. Reconciliation
 - C. Amortization
 - D. Finalization
- 118. When appraising a property on a hillside, the appraiser noticed cracks on the walls. The best recommendation is to:**
- A. Order soil engineer report
 - B. A contractor to build a new wall
 - C. A percolation test
 - D. Toxic waste report
- 119. A real estate broker negotiates the sale of home on behalf of the seller in which the buyer obtains a new first trust deed and the seller carries back a second trust deed for part of the purchase price. The broker recommends to the seller that they execute and record a "Request for Notice of Default". This would be done for the benefit of the:**
- A. Beneficiary of the first trust deed
 - B. Beneficiary of the second trust deed
 - C. Trustee of the first trust deed
 - D. Trustor of the second trust deed

120. **A Disclosure form must be given to the purchaser of any properties that is subject to a lien created under the Mello-Roos Community Facilities Act. The party that is responsible for the delivery of this statement is the:**
- A. Seller
 - B. Escrow agent
 - C. Broker
 - D. Title company
121. **Roberto owns an apartment building and wants to exchange his property in a 1031 tax deferred exchange in order to defer paying taxes in the year of the exchange. He could exchange his apartment building for:**
- A. A personal residence with an existing plan equal to or larger than the loan on his apartment building
 - B. A more valuable apartment building, exchanging loans and paying money to the other party to equalize the values
 - C. A less valuable apartment building, exchanging loans and receiving money from the other party to equalize the values
 - D. A less valuable apartment building and assume a smaller existing loan
122. **A broker shows a prospective buyer a home. The buyer makes an offer and the seller accepts. The broker, buyer, and seller then go to the Reliable Escrow Company where the buyer makes out a personal check for a \$1,000 deposit payable to Reliable Escrow Company and hands it to the escrow officer. Which of the following is correct?**
- A. The broker has to keep a record of the check in his record of all trust funds received and paid out
 - B. The broker has to keep a record of the check in his record of all trust funds received and not placed in his trust account
 - C. The broker has to keep a record of the check in his separate records for each beneficiary or transaction
 - D. The broker does not have to keep a record of the check
123. **What type of title insurance policy covers everything?**
- A. ALTA
 - B. Extended
 - C. Standard
 - D. No title insurance policy covers everything
124. **A real estate salesperson is attempting to renew his license. The Department of Real Estate finds that according to the Department of Child Support Services, the party has failed to make the required child support payments. Under these circumstances, the salesperson's license:**
- A. Can not be renewed
 - B. Is automatically revoked
 - C. Can be issued on a temporary basis for 150 days
 - D. Can be renewed for a 4 year term

125. **To an appraiser to determine the amount of economic obsolescence suffered by a commercial property owner, which of the following is true?**
- A. The rents are charge equally
 - B. The rents are too high in the neighborhood
 - C. The neighborhood prospering
 - D. A fire alarm system to be installed
126. **Who signs the reconveyance deed?**
- A. Mortgagor
 - B. Trustee
 - C. Trustor
 - D. Beneficiary
127. **If a licensee fails to renew his or her license prior to its expiration date, the licensee:**
- A. Must file a new application and take a new license examination
 - B. Must file a renewal application within one year and pay the late fee
 - C. May renew it provided the licensee completes a 3 hour course in ethics
 - D. May renew it within two years by submitting the proper application and pay the appropriate late fee
128. **Seller has an easement attached to the buyer's property. The seller did not use the easement for 21 years. The seller decided to use the easement after 21 years. The easement is now:**
- A. The easement is valid
 - B. Terminated for non-use
 - C. The buyer reserves the easement
 - D. No one has an easement
129. **Which of the following will be considered economic obsolescence?**
- A. Termite damage
 - B. Bad architectural design
 - C. Zoning changes
 - D. Negligent care
130. **A real estate broker advertises that he will give a seller a credit in escrow with his commission. For any sellers who list with him, he will pay \$50 and same for any buyer who purchases a property from him. This type of advertising is:**
- A. Illegal as it is a restraint of trade
 - B. Legal if disclosure is made to all parties to the transaction
 - C. Prohibited if this is a RESPA transaction
 - D. Legal, since the amount offered is less that \$100
131. **The purpose of the "hold harmless" clause in the residential Listing Agreement is to protect the broker from any liability or claims resulting from:**
- A. Misrepresentations made by the broker
 - B. Incorrect information supplied by the seller
 - C. False information supplied by the buyer regarding the buyer's qualifications in obtaining a loan
 - D. Misrepresentations made by the broker's salespersons

132. **An appraiser who is to appraise a commercial property with an estimated value of \$550,000 must hold which of the following appraisal license?**
- A. Trainee
 - B. Licensed
 - C. Certified residential
 - D. Certified general real estate appraiser
133. **There are three phases of steps involved in the construction of a single family residence. These three steps are:**
- A. Land acquisition, map and plan approval and construction
 - B. Map and plan approval, construction and buyer approval
 - C. Land acquisition, construction and zoning approval
 - D. Subdivision map approval, building permits and creation of CC&Rs
134. **In the sale of a residence, when the buyer is to take possession of the property prior to the transfer of title, the buyer and seller should execute a:**
- A. Interim Occupancy agreement
 - B. Lis pendis
 - C. Quitclaim deed
 - D. Rental agreement
135. **Two days after entering into a contract for the sale of home, both the buyer and seller agreed to rescind the contract. The broker representing both the buyer and the seller:**
- A. Can deduct his expenses before returning the remainder of the deposit to the buyer
 - B. Deposit will be divided between the seller and the broker
 - C. Must return the entire deposit to the buyer
 - D. Must file an interpleaded action in court to determine the disposition of the deposit
136. **When buying a home, buyers prefer which of the following polices;**
- A. Fire
 - B. Standard
 - C. Earthquake
 - D. Inundation
137. **The real estate agency disclosure form must be given to the parties in which of the following transactions?**
- A. Sale of a theatre
 - B. Sale of an office building
 - C. Exchange of an office building
 - D. Sale of a residential triplex
138. **Agent Ana presented an offer from one of the office listings. The offer had a contingency of the property to be approved by the Uncle Paul since he is financing the property. Ana did not discuss the offer with the buyer. Ana presented the offer to the seller thinking that the uncle will have no objection to the property. The seller received the offer and the offer was accepted. The buyer told Ana that the uncle was out of state and not present to approve the property, and now, they cannot find him and they are uncertain when he is coming back. The action by the agent was:**

- A. Unlawful
- B. Acceptable
- C. Good strategy
- D. Illegal

139. **Broker Abe is representing Brown. Brown made an offer contingent to the sale of Brown's home located in Elm St and Jones accepted the offer on Main St. Then broker Abe handed the offer to broker Ray with a referral fee attached to it. To whom the agent must present the disclosure to:**
- A. Only to Brown
 - B. Only to Jones
 - C. Both owner of Main St. and owner of Elm St.
 - D. Both owner of Main St. and owner of Elm St. to Jones and Brown
140. **In appraising to determine value by net income and percentage of reasonable return on an investment:**
- A. Capitalization
 - B. Net income
 - C. Future income
 - D. Present value
141. **Which of the following is a unique characteristic of an FHA mortgage?**
- A. It has a low loan-to value ratio
 - B. It requires a low down payment
 - C. It is easy to qualify for
 - D. It insures the lender against loss
142. **A commercial bank agreed to lend Davis \$180,000 for one year term provided. Davis agreed to maintain a savings account with the bank in the amount of \$18,000 during the term of the loan. This provision is known as:**
- A. Compensating balance
 - B. Risk management
 - C. Mortgage insurance
 - D. A security deposit
143. **A real estate agent wrote –up an offer for a buyer. The buyer was primarily interested in this particular home because it was locate in a very good school district. The deposit receipt did not make the offer contingent upon the school district. The offer was accepted and escrow was opened. During escrow, the buyer discovers the school district had just been changed and now the home is located in a poor school district. Which of the following is true?**
- A. Buyer can back out
 - B. Buyer has the right to rescind
 - C. Buyer is bound to the contract
 - D. Buyer is not obligated to buy

- 144. All of the following could be a recurring expense to a reserve of impound account by a borrower, except:**
- A. Special improvement assessments
 - B. Monthly mortgage interest
 - C. Insurance premiums
 - D. City or county property taxes
- 145. Who signs the trust deed and promissory notes?**
- A. Trustee
 - B. Beneficiary
 - C. Trustor
 - D. Mortgagee
- 146. Which of the following is true concerning a “buyers agency”?**
- A. Buyer agency is illegal in California
 - B. In a “buyer agency” the agents represent buyers only
 - C. Buyer agent doesn’t allow the seller to pay commission to the buyer.
 - D. Buyer’s agent doesn’t have an agency with seller’s agent, he is not responsible for his action
- 147. If the city wants to acquire a commercial property by eminent domain, they:**
- A. Must obtain approval from the State
 - B. Must pay the owner “just compensation”
 - C. Need not pay the owner anything
 - D. Will institute foreclosure proceedings
- 148. An appraiser intends that the estimate of value as disclosed in his appraisal report on a property be valid:**
- A. As of the date of the appraisal only and may contain past values at some point in the past
 - B. For a period of three months after the appraisal date
 - C. Until the close of escrow
 - D. Until a loan is funded
- 149. A broker, who is authorized by another broker to act as a subagent as authorized by the seller, is primarily responsible to:**
- A. The broker
 - B. The principal
 - C. Both the broker and principal equally
 - D. Neither the broker nor the principal
- 150. A clause on a trust deed where the lender’s right shall be secondary to a subsequent trust deed:**
- A. Open end clause
 - B. Prepayment penalty clause
 - C. Subordination clause
 - D. Granting clause

**EXAM 3
ANSWERS**

- | | | | |
|-------|-------|--------|--------|
| 1. A | 41. A | 81. C | 121. B |
| 2. D | 42. A | 82. A | 122. B |
| 3. D | 43. C | 83. A | 123. D |
| 4. A | 44. B | 84. B | 124. C |
| 5. D | 45. B | 85. C | 125. C |
| 6. D | 46. B | 86. C | 126. B |
| 7. D | 47. C | 87. B | 127. D |
| 8. D | 48. B | 88. C | 128. A |
| 9. C | 49. C | 89. D | 129. C |
| 10. D | 50. C | 90. D | 130. B |
| 11. C | 51. D | 91. C | 131. B |
| 12. D | 52. C | 92. A | 132. D |
| 13. C | 53. D | 93. B | 133. A |
| 14. C | 54. D | 94. D | 134. A |
| 15. A | 55. C | 95. C | 135. C |
| 16. D | 56. B | 96. B | 136. B |
| 17. D | 57. C | 97. A | 137. D |
| 18. C | 58. C | 98. D | 138. A |
| 19. C | 59. D | 99. A | 139. D |
| 20. D | 60. B | 100. D | 140. A |
| 21. D | 61. A | 101. C | 141. D |
| 22. D | 62. B | 102. B | 142. A |
| 23. B | 63. A | 103. C | 143. C |
| 24. D | 64. B | 104. A | 144. B |
| 25. A | 65. B | 105. D | 145. C |
| 26. C | 66. C | 106. C | 146. D |
| 27. C | 67. D | 107. A | 147. B |
| 28. C | 68. B | 108. C | 148. A |
| 29. B | 69. D | 109. A | 149. B |
| 30. D | 70. D | 110. D | 150. C |
| 31. B | 71. C | 111. D | |
| 32. A | 72. D | 112. D | |
| 33. B | 73. C | 113. A | |
| 34. D | 74. A | 114. C | |
| 35. B | 75. B | 115. A | |
| 36. D | 76. C | 116. B | |
| 37. A | 77. B | 117. B | |
| 38. D | 78. D | 118. A | |
| 39. A | 79. B | 119. B | |
| 40. B | 80. B | 120. A | |