

MULTIPLE CHOICE - PROPERTY OWNERSHIP

MULTIPLE CHOICE QUESTIONS, PROPERTY OWNERSHIP

1. John who owns his farm as a tenant by the entirety wishes to sell 2 acres out of his 5000 acre farm. What must he be concerned with?
 - A. His heirs approval
 - B. His spouse's approval
 - C. His tenants occupancy rights
 - D. Government rights
2. John received a 90 day permission to cross his neighbor's property with his vehicle, what type of arrangement did he have with his neighbor?
 - A. An easement
 - B. An encroachment .
 - C. A license
 - D. An appurtenance
3. Sharon owns several investment properties. Every once in a while she falls behind on her bills and a lien is placed against the properties. Which of the following liens would most likely be a general (blanket) lien?
 - A. Property tax lien
 - B. Construction lien
 - C. Special assessments lien
 - D. Income tax lien
4. Which of the following involves obtaining a court order allowing access for property that is landlocked?
 - A. A granted easement
 - B. An easement by reservation
 - C. An easement by necessity
 - D. A gross easement
5. Seller wishes to take the roses from a perennial rose bush with him upon selling the house. What should the agent advise the seller to do?
 - A. Nothing, roses continue to grow every year and therefore are personal property which is not included in the sale unless the buyer specifically ask for it
 - B. The seller should exclude the roses in the purchase agreement
 - C. The seller can remove the roses but only at the end of the season
 - D. Any plants on the property must stay and be included in the sale
6. Sue, John, Bill and Kimberly received a deed that is made to all of them as tenants in common. If the deed does not mention their ownership interest, what shares would be allocated to them?
 - A. Equal shares because they must have the unity of interest
 - B. Equal shares because the deed does not specify that one of them would receive a larger interest than the other
 - C. Unequal shares and the deed must be corrected because tenants in common may or may not have equal shares
 - D. Unequal shares, because each one of the ladies will only receive 100% entireties.
7. A method of legally describing land that involves baselines and range lines is the:
 - A. Informal reference system
 - B. Lot subdivision method
 - C. Metes-and-bounds
 - D. Rectangular survey system
8. An area of land that is one mile by one mile square is called:
 - A. A township
 - B. A section
 - C. An acre
 - D. A check
9. An owner of property whose property is located next to a small body of water or a stream has:
 - A. Littoral rights
 - B. Erosion rights
 - C. Encroachment rights
 - D. Riparian rights
10. Regarding condominiums, which of the following is not true?
 - A. Common elements are owned by all co-owners.
 - B. Association fees are paid to the condominium association to maintain common elements and insure them.
 - C. If a co-owner does not use a common element such as a swimming pool, then she does not have to pay her share of the association dues.
 - D. All co-owners have to honor the bylaws.
11. All the following is true about joint tenants except:
 - A. They have the right of survivorship.
 - B. They must inherit or purchase property at the same time.
 - C. Ownership is received with the same deed or will.
 - D. They may own property in equal or unequal shares.
12. A permanent right to use someone else's property for a purpose is known as:
 - A. A license
 - B. Encumbrance
 - C. An easement
 - D. Public right

MULTIPLE CHOICE - PROPERTY OWNERSHIP

13. In addition to the meridian, the base line intersects with which of the following?
- A. Section lines
 - B. Tier lines
 - C. Range lines
 - D. Correction lines
14. A life tenant can do all but which of the following?
- A. Devise (will)
 - B. Lease
 - C. Mortgage
 - D. Sell
15. The following owners do not have the right of survivorship:
- A. Tenants in common.
 - B. Tenants at will.
 - C. Joint tenants.
 - D. Tenants by the entireties.
16. When an estate is held by husband and wife, it is usually known as:
- A. Martial estate
 - B. Marriage in severalty estate
 - C. A joint estate
 - D. Tenancy by the entireties
17. When a person owns property alone, he/she is known as:
- A. Lonely tenant
 - B. Single tenant
 - C. Severalty tenant
 - D. Uncommon tenant
18. When two or more individuals own property without rights of survivorship and in unequal portions, they probably own it as:
- A. Tenants by the entireties
 - B. Joint tenants
 - C. Tenants in common
 - D. Legal tenants
19. John deeds property to Sharon for her life time, stipulating that the property reverts to him after her death. Sharon sells the property to Bill. Which of the following is true?:
- A. If Bill dies, property reverts to John
 - B. If Sharon dies, property reverts to John
 - C. If John dies, Bill owns the property in fee simple
 - D. Sharon may not sell the property
20. When verifying a legal description that provides direction to a survey, a monument is used to set which of the following?
- A. Total gross area
 - B. Building size
 - C. Boundary
 - D. Elevation
21. A broker is concerned about a trespass over a property. How should he help the owner verify such an encroachment?
- A. Contact the local planning commission
 - B. Contact the local zoning board
 - C. Contact an appraiser
 - D. Contact a surveyor
22. An easement by prescription is obtained by:
- A. Forcing the owner over which the easement is given to give the right of way with a court order because the person seeking the easement is land-locked.
 - B. A grant from a property owner to benefit the neighboring property.
 - C. Trespassing for the statutory period of time.
 - D. Condemnation powers of the government.
23. Which of the following is true regarding easements?
- A. The owner of the servient estate must allow the dominant tenant to use any portion of the servient estate.
 - B. The concept of servient and dominant tenants is found in the gross easement.
 - C. When the servient and the dominant properties are merged, the easement appurtenant is extinguished.
 - D. The dominant tenant owns the servient property.
24. All of the following are true about easements except:
- A. The party wall is an example of an appurtenant easement and it is located on the property line of two adjacent properties.
 - B. A party driveway is an easement appurtenant.
 - C. A gross easement is given to the neighboring property so it will not be land-locked.
 - D. If an individual purchases property subject to an easement, she must honor the easement.
25. A right, privilege or improvement that passes along with the property is/are:
- A. An emblement.
 - B. An encroachment.
 - C. An appurtenance.
 - D. Government rights.

MULTIPLE CHOICE - PROPERTY OWNERSHIP

26. Sarah and Jason are joint tenants. All of the following are true about their ownership except:
- A. If Sarah dies, her share goes to Jason.
 - B. If Jason dies his share transfers to his estate.
 - C. Sarah and Jason must have equal interest.
 - D. Sarah and Jason could have either purchased or inherited the property as joint tenants.
27. Chuck and Sharon are tenants in common. All of the following are true about their ownership except:
- A. They may own property in equal or unequal shares.
 - B. They may have received the property through a deed or will.
 - C. Either one of them could sell his/her share without approval of the other.
 - D. When Sharon dies, her share goes to Chuck.
28. The concept of "air space" is found in the following type of ownership:
- A. Cooperatives
 - B. Joint tenancy
 - C. Condominiums
 - D. Common element ownership
29. In a condominium complex, all of the following are considered common elements except:
- A. The pool
 - B. The structural portions of the unit
 - C. The parking lot and the yard
 - D. Furniture
30. A condominium owner wants to make changes to the exterior of his unit. He must:
- A. Be sure that quality of construction is up to city code
 - B. Be sure that colors used match the rest of the units and are in harmony
 - C. Make sure that the association approves the changes after construction is completed
 - D. Receive approval of the association prior to any changes being made
31. Regarding condominium association fees:
- A. They may or may not be paid by each co-owner depending on whether they use the common elements.
 - B. They include all property taxes but not mortgage payments for the owners.
 - C. They are used to maintain and insure the common elements.
 - D. They are tax deductible for the homeowner.
32. A concept of ownership reflected in leasing units after purchasing stock in a corporation that owns a multi-unit complex is known as:
- A. Condominiums
 - B. Shared ownership
 - C. Cooperatives
 - D. Real estate stock ownership
33. One of the advantages of condominium ownership over a cooperative is:
- A. It is cheaper to acquire.
 - B. It is usually located in better locations.
 - C. It is real estate ownership in fee simple.
 - D. It involves stock ownership, which is more attractive.
34. How many acres are there in the north half of the southeast quarter of the southwest quarter of a section?
- A. 20 acres
 - B. 32 acres
 - C. 8 acres
 - D. 64 acres
35. An imaginary line running north-south that intersects with the baseline is:
- A. The meridian line
 - B. The township line
 - C. The section line
 - D. The check line
36. A method of legally describing land that uses monuments and point of beginning is the:
- A. Rectangular survey system
 - B. Lot subdivision system
 - C. Metes-and-bounds
 - D. Monument system
37. Imaginary lines running six miles apart parallel to the baseline are called:
- A. Range lines
 - B. Meridian lines
 - C. Township lines
 - D. Tier lines
38. A buyer interested in purchasing a house noticed a chandelier hanging from the living room ceiling that he really liked and wrote a purchase agreement without specifically including it. After closing, he noticed that the seller removed that chandelier. Which of the following is true?
- A. The buyer has no right to the chandelier unless he would have included it specifically in the purchase agreement.
 - B. The seller had the right to remove the chandelier because it is normally chattel and must be purchased separately.
 - C. The chandelier was a part of the real estate because it was permanently attached as a fixture and the seller had no right to remove it.

MULTIPLE CHOICE - PROPERTY OWNERSHIP

- D. The chandelier would have been included in the sale only if it was easily removable and not permanently attached.
39. David gave a house to his mother as a life estate stipulating that after her death, property shall revert to David or his heirs; but upon the mother's death, a will was discovered directing the property to be given to charity. Which of the following is true?
- A. The charity has the right to claim the property in probate court.
 - B. The mother had the right to will the property as a fee simple owner to anyone she wanted.
 - C. The mother's will have no legal effect unless it was recorded.
 - D. Regardless of the will, property will revert to David or his heirs.
40. All of the following are true regarding condominium ownership except:
- A. It involves ownership of stock in a corporation
 - B. It involves payment of association fees
 - C. It involves abiding by bylaws
 - D. It involves common elements
41. Which of the following items could never constitute a fixture?
- ☐ A tree
 - ☐ A bookshelf
 - ☐ A pool
 - ☐ Land

MULTIPLE CHOICE - LAND USE CONTROLS

MULTIPLE CHOICE QUESTIONS, LAND USE CONTROLS

1. Property assessed value is \$36,725, and the tax rate is 37 mills. What is the amount of tax due to the city?
 - A. \$1,250
 - B. \$1,359
 - C. \$2,718
 - D. \$5,435
2. The street in your neighborhood has been paved by the city. How will that affect your tax bill?
 - A. Millage rate will increase.
 - B. Assessed value will decrease.
 - C. You may receive a bill for special assessments
 - D. Your property tax will be lowered.
3. John purchases property zoned for multiple units and plans to build an apartment complex on it but discovers a deed restriction that limits the use to single family only. You should tell John that:
 - A. The deed restriction has no power against a zoning ordinance.
 - B. Based on the restriction, he could build single-family homes or apartments as he wishes.
 - C. The deed restriction will supersede the zoning ordinance because it is more restrictive.
 - D. The zoning ordinance must be honored because government's rights are superior to private rights.
4. A clause in the law that allows an individual to continue a non-conforming use after a zoning law has changed, is called:
 - A. A zoning ordinance.
 - B. A deed restriction.
 - C. A restrictive covenant.
 - D. A grandfather clause.
5. When the use of property does not match the zoning allowed, the situation is best referred to as:
 - A. A grandfather clause.
 - B. A zoning variance.
 - C. Illegal
 - D. Non-conforming use
6. A developer who wants to build houses in a subdivision with a 20-foot setback instead of the 30 feet allowed under the ordinance must obtain a:
 - A. Setback use
 - B. Special ordinance ruling
 - C. Variance
 - D. Permit restriction
7. When the deed limits the use of the property, this is known as:
 - A. Deed zoning
 - B. Deed variance
 - C. Restrictive covenant (deed restriction)
 - D. Owner's restriction
8. Sharon wants to build a department store on land zoned residential single family. She must apply for and receive:
 - A. A zoning variance
 - B. A deed covenant
 - C. Code permission
 - D. Grandfather variance
9. A law that establishes the minimum distance between the lot line and where the improvements can be erected is known as the:
 - A. Frontage distance
 - B. Setback ordinance
 - C. Bulk zoning distance
 - D. Building distance
10. When zoning law allows a certain use but deed restriction limits that same use, the one that would prevail is the:
 - A. Zoning law
 - B. Deed restriction
 - C. Building permit
 - D. Setback authority
11. Zoning law addresses all of the following except:
 - A. Use of property
 - B. Setback line
 - C. Grandfather clause
 - D. Restrictive covenants
12. The right of the government to make laws for the health, safety and welfare of the public is known as:
 - A. Eminent domain

MULTIPLE CHOICE - LAND USE CONTROLS

- B. Condemnation
 - C. Taxation
 - D. Police power
13. Placing a park between an industrial area and a single family subdivision is an example of:
- A. Buffer Zone
 - B. Grandfather Clause
 - C. Zoning Variance
 - D. Restriction exemption
14. A study that results from examining the factors which a land development or construction project would have on the environment is known as:
- A. A phase I environmental audit
 - B. An environmental impact report
 - C. A construction development study
 - D. A mitigation study
15. A buyer who discovers contamination with property before the closing may do all of the following except:
- A. Request that the seller conducts a cleanup of the contamination
 - B. Offer to buy the property at a lower price
 - C. Withdraw from the sale
 - D. Force the seller to perform a complete cleanup of the toxic waste
16. An owner is faced with a zoning change requiring residential developments only in the area where his gas station is located, what are his choices?
- A. Apply for a variance
 - B. Change the use to residential in order to comply with the current zoning law
 - C. Continue to operate without interruption
 - D. According to law, the owner is given one year to sell the station provided that the zoning change is disclosed
17. A national chain plans to build a pharmacy on land that used to have a gas station, what would the chain or its lender require?
- A. An environmental impact report
 - B. A phase I environmental audit
 - C. Proof that the gas station operation has ceased at least 10 years ago
 - D. A zoning variance
18. The right of the government to take private property for public use is known as:
- A. Eminent Domain
 - B. Zoning
 - C. Police Power
 - D. Escheat
19. The right of the government to make laws for the use of land such as zoning, building codes, environmental protection laws, etc. is known as:
- A. Police Power
 - B. Eminent Domain
 - C. Escheat
 - D. Government Bylaws
20. John died leaving no will or heirs. What happens to his property?
- A. It passes to his wife and kids
 - B. It passes to any surviving partners
 - C. It passes to the state
 - D. It passes to probate
21. A target home is a home that was built before 1978 and may contain
- A. Asbestos
 - B. Lead paint
 - C. Mold
 - D. Radon
22. A licensee is selling a home that is built before 1978. What should she be concerned with or do?
- A. Recommend an asbestos inspection
 - B. Recommend radon inspection
 - C. Provide a lead paint educational pamphlet and give the buyer 10 days to do his due diligence
 - D. Mold infestation
23. A colorless odorless radioactive gas that is known to travel inside the ground and penetrate building material in the home and cause health problems is known as:
- A. Radon
 - B. Carbon monoxide
 - C. Sewer gas
 - D. Oxygen
24. All of the following have a duty to disclose known environmental hazards such as lead paint, radon and asbestos except:
- A. The seller
 - B. The landlord

MULTIPLE CHOICE - LAND USE CONTROLS

- C. The buyer
 - D. The agent
25. Lead would be least likely found in:
- A. Pipes
 - B. Soil
 - C. Paint
 - D. Insulation
26. What was the primary reason asbestos was used in buildings?
- A. Excellent strength quality when mixed with drywall
 - B. Excellent insulation qualities
 - C. It creates high quality paint
 - D. It was added mostly to siding to make it water proof
27. Private Control on Land Includes:
- A. Deed restrictions
 - B. Grandfather clauses
 - C. Court injunctions
 - D. Government Condemnation
28. All of the following are true regarding lead paint abatement except:
- A. It should be carefully done by the owner using the proper respirator
 - B. It includes paint removal from the interior and exterior of the home
 - C. It may require replacement of a layer of earth surrounding the home
 - D. It can be costly and is usually paid for by the seller
29. A tool and die shop is located inside a residential neighborhood since the 1950s. Presently, and due to various ordinances, the shop does not comply with zoning but the local government has allowed it to remain in business. This situation is known as:
- A. A grandfather/nonconforming use
 - B. A zoning variance
 - C. A special use permit
 - D. A buffer zone
30. Charges assessed for improvements provided by the local government that benefit the property
- A. Property improvement assessments
 - B. Millage assessments
 - C. Special assessments
 - D. Community beautification assessments
31. Vacant property is listed for sale near the Grand River that has had a history of overflowing its banks since 1904. What would you recommend to a potential buyer?
- A. Get a home warranty
 - B. Get a title insurance policy without exceptions
 - C. Check the public records such as DEQ flood maps and take into consideration the possibility of requiring flood insurance
 - D. Make sure that the house is built without a walk out basement
32. Licensee lists a struggling but operating grocery store located in a residential neighborhood. The sale is taking too long because the business is not generating good revenue. The seller decides to close down the business without canceling the listing because the building has value. A buyer expresses interest in buying the building and re-establishing it as a grocery store. What should the agent tell the buyer?
- A. The new grocery store is automatically grandfathered
 - B. Check with the local government to see if the new buyer's operation may continue as a nonconforming use
 - C. Apply for a variance
 - D. Prepare an environmental impact report and submit it to the local government
33. 64. Which of the following situations results in escheat?
- A. The city has a public project and must take private property that belonged to a deceased
 - B. A person dies leaving his entire property to a charity while disinheriting his own spouse
 - C. A person dying with no heirs or will
 - D. A person dying leaving her share to a surviving partner

MULTIPLE CHOICE - VALUATION AND MARKET ANALYSIS

MULTIPLE CHOICE QUESTIONS, VALUATION & MARKET ANALYSIS

1. An apartment building grosses \$2,000 per month with expenses averaging 35% of gross income. What is the net operating income (NOI) for the project?
 - A. \$1,300
 - B. \$24,000
 - C. \$15,600
 - D. \$8,400
2. Of the different methods of appraising property, which of the following is the most appropriate for appraising vacant land?
 - A. The cost approach
 - B. The gross rent multiplier approach
 - C. The capitalization approach
 - D. Market data (comparison) approach
3. When using the market/sales comparison approach, an appraiser takes the following into consideration:
 - A. Income and expenses of property
 - B. Capitalization expected by investors
 - C. Features that the property has in comparison to other property sold in the neighborhood
 - D. Depreciation on improvements
4. Property value is least affected by:
 - A. Supply and demand
 - B. Quality and features
 - C. Activity of buyers in an area
 - D. The owner's acquisition cost
5. Which of the following indicates functional obsolescence?
 - A. Leak in the roof
 - B. Sewage treatment plant next to the property
 - C. One-car garage in a neighborhood of mostly two-car garages
 - D. High property taxes
6. When a house is located in a neighborhood with several boarded-up houses and gangs on the street, this property loses value due to:
 - A. Physical deterioration
 - B. Functional obsolescence
 - C. Economic obsolescence
 - D. Crime effect on occupants
7. When appraising a brand new house surrounded by older houses, the best method used is the:
 - A. Income approach
 - B. Market comparison approach
 - C. Actual cash paid to the builder to erect improvements
 - D. Cost approach
8. Which of the following is true about income property evaluation?
 - A. The cost of land must be estimated separately and then the cost of improvements must be added to it.
 - B. Appraiser must look at acquisition cost when property was purchased.
 - C. The capitalization approach is the most suitable.
 - D. Expenses such as property taxes, maintenance and insurance are seldom taken into consideration.
9. All of the following are taken into consideration when using the market comparison approach except:
 - A. The price of the sold comparables in the neighborhood.
 - B. The subject property features such as square footage, number of bathrooms, garage, central air conditioning, etc.
 - C. Property location and age in comparison to the sold comparables.
 - D. The capitalization rate an investor would reasonably accept.
10. The price that a willing buyer will most probably pay a willing seller under no pressure, and provided that property is available on the market for a reasonable length of time, is known as:
 - A. Market price.
 - B. Economic price.
 - C. Market value.
 - D. The buyer's value.
11. A factor which an appraiser multiplies gross income from property by to appraise its value is:
 - A. Capitalization factor
 - B. Rental factor
 - C. Expense factor
 - D. Gross rent multiplier

MULTIPLE CHOICE - VALUATION AND MARKET ANALYSIS

12. In estimating the square footage of a building for replacement purposes, an appraiser would use:
- A. Interior dimensions of the structure.
 - B. Lot size dimensions.
 - C. Exterior dimensions.
 - D. Lot frontage dimensions.
13. To determine the value of a church, the appraiser will probably use:
- A. The income capitalization approach.
 - B. The cost approach.
 - C. The market data approach.
 - D. The congregation approach.
14. A 10,000 sq. ft. mansion surrounded by 1,500 sq. ft. homes would most likely be appraised using:
- A. Market comparison approach
 - B. The square foot approach
 - C. The cost approach
 - D. The gross living area approach
15. A small rental property sold for \$60,000 and it had annual gross income of \$10,000. Using the gross rent multiplier what would another property located in the same neighborhood be valued at if it had a monthly gross income of \$1,500?
- A. \$90,000
 - B. \$108,000
 - C. \$ 120,000
 - D. \$9,000
16. What would income property be valued at if it had \$50,000 annual gross income with 40% expense ratio and the agent uses 10% capitalization rate?
- A. \$300,000
 - B. \$200,000
 - C. \$250,000
 - D. \$500,000
17. When comparing an appraisal report to a comparative market analysis, which of the following is NOT a factor to consider?
- A. An institutional lender will not rely on the market analysis to grant a loan
 - B. An appraisal is provided by a state licensed appraiser while the market analysis is provided by a broker.
 - C. An appraisal is a determination of value while the market analysis is a recommendation of listing price
 - D. An appraisal report is usually more detailed and must follow USPAP
18. The price received for sold property is
- A. Market price
 - B. Market value
 - C. Arm's length transaction
 - D. Appraised price
19. When using the cost approach, an appraiser will consider all of the following factors except:
- A. Economic life
 - B. Deferred maintenance
 - C. Accrued depreciation
 - D. NOI
20. All of the following are considered principles of value except:
- A. Conformity
 - B. Substitution
 - C. Contribution
 - D. Acquisition cost
21. When a sale occurs in a competitive market and under no duress, this transaction is known as:
- A. Fair market value transaction
 - B. Arm's length transaction
 - C. Highest and best value
 - D. Full anticipation transaction
22. Which of the following would have the least effect on property value?
- A. Interest rates
 - B. Economic growth
 - C. Brokers' commissions
 - D. Loan availability
23. Which of the following would be the least likely to be curable?
- A. Economic obsolescence
 - B. Physical deterioration
 - C. Functional obsolescence
 - D. Destruction of property
24. Replacement cost may be used to estimate the value of a variety of properties but it is especially utilized in the appraisal of
- A. A new strip center
 - B. A historic building
 - C. A new home located in an old neighborhood
 - D. Vacant land
25. ~~TO BE USED TO ESTIMATE THE VALUE OF PROPERTY, THE COST APPROACH IS USED TO DETERMINE THE REPLACEMENT COST OF THE PROPERTY, LESS ACCRUED DEPRECIATION, PLUS THE LAND VALUE. THE COST APPROACH IS USED TO DETERMINE THE VALUE OF PROPERTY, LESS ACCRUED DEPRECIATION, PLUS THE LAND VALUE. THE COST APPROACH IS USED TO DETERMINE THE VALUE OF PROPERTY, LESS ACCRUED DEPRECIATION, PLUS THE LAND VALUE.~~
- ~~THE COST APPROACH IS USED TO DETERMINE THE VALUE OF PROPERTY, LESS ACCRUED DEPRECIATION, PLUS THE LAND VALUE. THE COST APPROACH IS USED TO DETERMINE THE VALUE OF PROPERTY, LESS ACCRUED DEPRECIATION, PLUS THE LAND VALUE. THE COST APPROACH IS USED TO DETERMINE THE VALUE OF PROPERTY, LESS ACCRUED DEPRECIATION, PLUS THE LAND VALUE.~~

MULTIPLE CHOICE - VALUATION AND MARKET ANALYSIS

© 2000 Pearson Education, Inc. All rights reserved. This publication is protected by copyright. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or by any information storage or retrieval system, without permission in writing from Pearson Education, Inc.

26. Julie is thinking of buying a nicely remodeled, large home located in a neighborhood of small, simple and older homes. Which of the following is true regarding principles of value?

- A. The principle of conformity plays a large role in this case because of the way the house is situated
- B. The principle of contribution is considered because any improvements done to the property would result an equal increase in value
- C. Substitution comes into play because a buyer will have difficulty finding a replacement for this house in this neighborhood
- D. Based on the principle of regression, the house may lose value

27. An owner of property discovers damage done to asbestos insulation that is wrapped around an old boiler in his home. All of the following is true except?

- A. A total abatement of asbestos must be conducted for the entire home
- B. An expert should be consulted to evaluate the extent of the damage, and the meantime the homeowner should not leave the damaged

portion exposed and possibly apply duct tape to it

- C. Depending on the situation, encapsulation may be recommended instead of total removal
- D. Family members should avoid in the area until assured that the damaged asbestos is dealt with

28. Property benefits from its good location. Which characteristic adds to its value?

- A. Durability
- B. Heterogeneity
- C. Scarcity
- D. Immobility

29. Which of the following is not an economic characteristic of real estate?

- A. Utility
- B. Transferability
- C. Durability
- D. Desirability

30. The fact that most of the subdivision lots have been sold and buyers are competing for the last ones that are left is due to:

- A. Desirability
- B. Scarcity
- C. Utility
- D. Heterogeneity

MULTIPLE CHOICE - FINANCING

MULTIPLE CHOICE, FINANCING

1. All of the following are true regarding a Veteran's Administration Loan except:
 - A. The loan is guaranteed by the Veteran's Administration.
 - B. Any credit worthy individual including non-veterans can assume the loan.
 - C. The Administration obtains a certificate of reasonable value and requires the house to be brought up to code.
 - D. The veteran must put down at least 3% down payment.
2. All of the following are examples of primary lenders except:
 - A. Savings and loans
 - B. Credit unions
 - C. Commercial banks
 - D. GNMA
3. All of the following are true regarding government related loans except:
 - A. An FHA loan is insured by the Federal Housing Administration.
 - B. A VA loan is guaranteed by the Veteran's Administration.
 - C. An FHA loan may be granted to an investor interested in fixing and selling property.
 - D. A VA loan may be granted to an investor who intends to rent the entire property.
4. A type of mortgage suitable for those thinking of semi-retirement that involves receiving regular monthly payments for a specified period is known as:
 - A. Retirement mortgage
 - B. Graduated mortgage
 - C. Amortized mortgage
 - D. Reverse mortgage
5. When financing property on a deed of trust, a third-party trustee typically holds the title to the property in trust, with the power to foreclose on the buyer if there is a default. Once the debt is satisfied, what type of deed is issued?
 - A. The financing deed
 - B. Executor's deed
 - C. Deed of re-conveyance
 - D. The mortgage deed
6. Regarding a VA loan, all of the following are true except:
 - A. Applicant must be entitled to receive VA loan.
 - B. Applicant must intend to live in the house.
 - C. Property must not be larger than four units.
 - D. Applicant must be willing to pay an insurance premium.
7. An individual may qualify for an FHA loan. Where would you refer him?
 - A. To the Department of Housing and Urban Development
 - B. To the Federal Housing Administration
 - C. To any participating primary lender
 - D. To the Federal Home Loan Mortgage Corporation
8. A relatively short-term loan that involves regular monthly payments and a lump sum due at the end of the loan term is:
 - A. A reverse mortgage.
 - B. Partially amortized loan
 - C. A subprime loan.
 - D. Adjustable rate loan.
9. A relatively short-term loan that may require interest to be paid periodically and the total sum of principal to be paid at the end of the loan term is:
 - A. Balloon mortgage.
 - B. Term/straight loan.
 - C. Fixed rate mortgage.
 - D. Unconventional mortgage.
10. A land contract gives the buyer all of the following except:
 - A. The right to live on the property.
 - B. The right to lease out the property.
 - C. The right to sell the property.
 - D. Legal title to the property.
11. When the loan payments remain the same, leaving a lump sum due at the end of the loan term, this lump sum payment is called:
 - A. An acceleration payment.
 - B. A lump sum payment.
 - C. A balloon payment.
 - D. A loan-end payment.

MULTIPLE CHOICE - FINANCING

12. Helen bought a \$185,000 home and financed it 100% through the local bank.

Chances are she obtained:

- A. An FHA loan.
- B. A conventional loan.
- C. A balloon mortgage loan.
- D. A VA loan.

13. Upon the sale of property, title remains with the seller and will not be transferred until the buyer makes the final payment on the balance.

This is known as:

- A. FHA financing.
- B. A zero down-payment loan.
- C. A land contract.
- D. A lease with option.

14. A lender questions a couple's mortgage application asking if they were planning to marry and have several children because their income is barely enough to support the mortgage payments. This behavior by the lender

- A. Violates the civil rights act of 1866
- B. Is legal as long as it helps the buyer qualify for a loan
- C. Violates the equal credit opportunity act
- D. Violates TRID requirements

15. At closing, the lender pressures a borrower to close the transaction despite the fact that he's being quoted 2 point higher than the loan estimate. This behavior by the lender

- A. Violates equal credit opportunity act
- B. Violates the fair housing act
- C. Is a predatory lending practice
- D. Violates the mortgage fraud act

16. Which of the following will trigger a new loan estimate and closing delay?

- A. A sudden increase in the mortgage interest rates
- B. Lender misquoted the amount of points on the TRID
- C. Borrower cannot qualify for a 15 year loan and must switch to 30 year
- D. Lender fails to provide a closing disclosure 3 business days before consummation of loan

17. Another name for a land contract is

- A. Installment sale contract/contract for deed
- B. Seller financing contract
- C. Seller mortgage contract
- D. Seller-Buyer contract

18. All of the following are considered to be a nonconforming loan except:

- A. Jumbo home loans
- B. Portfolio loans
- C. FHA loans
- D. Hard money loans

19. Seller sold property on the installment plan and promised to convey title to the buyer when the balance is finally paid off. This arrangement is best described as a:

- A. Home financing
- B. Land contract /contract for deed
- C. Purchase money mortgage
- D. Loan transfer mortgage

20. The right of a person to reclaim his property after a foreclosure sale is the right of:

- A. Rescission
- B. Acceleration
- C. Redemption
- D. Alienation.

21. A lender agrees to settle a mortgage loan at less than the loan balance, this is known as

- A. Short sale
- B. Liquidation sale
- C. REO sale
- D. Deficiency sale

22. The mortgagor decides to peacefully surrender property to the mortgagee. This is referred to as:

- A. Friendly foreclosure.
- B. Sale lease back.
- C. Bank purchase of property.
- D. A "deed in lieu of foreclosure".

23. If the borrower is making regular equal monthly payments, which is true about principal and interest portions of his payment?

- A. They remain the same.
- B. The principal portion is increased while the interest portion is decreased.

MULTIPLE CHOICE - FINANCING

- C. The interest portion is increased while the principal portion is decreased.
D. The loan balance is increased.
24. The purpose of the truth-in-lending law is to:
- A. Limit the amount of interest charged to the buyer.
 - B. Limit the amount of closing cost.
 - C. Enable borrowers to easily shop around for interest rates.
 - D. Stop usury.
25. The truth-in-lending law permits the advertising of the following without making any further disclosure:
- A. \$2,000 down payment.
 - B. 10% interest.
 - C. \$625 per month payment.
 - D. Reasonable monthly terms.
26. Which of the following is not included in the APR?
- A. Legal fees.
 - B. Prepayment penalties.
 - C. Non-refundable application fee.
 - D. Interest per annum.
27. All of the following may be considered as practice of Predatory lending except
- A. Tricking a borrower into believing that an interest rate is lower than it actually is.
 - B. Leading the borrower to believe that he has the ability to pay a greater payment than he can actually afford.
 - C. Excessive loan fees
 - D. Requiring the borrower to attempt credit repair in order to raise credit score
28. When financing a home through VA, the points are based on:
- A. The purchase price
 - B. The loan amount
 - C. The CRV
 - D. The accelerated amount
29. A mortgage clause that calls the entire loan balance due upon default is:
- A. The escalation clause
 - B. The acceleration clause
 - C. The amortization clause
 - D. The prepayment clause
30. When mortgage loan is satisfied, the lender will issue and record:
- A. A discharge
 - B. A letter of intent
 - C. An estoppel certificate
 - D. An indemnification letter
31. The prepayment penalty on a \$50,000 mortgage is paid on the original balance as follows: First year penalty is 3.5%, second year is 2.25%, third year is 1%. If the loan was paid off during the second year, calculate the penalty.
- A. \$1,125
 - B. \$1,750
 - C. \$3,375
 - D. \$500
32. The purpose of the truth-in-lending act is to:
- A. Save the public money on buying homes.
 - B. Establish and regulate closing charges.
 - C. Disclose to the consumer the true cost of obtaining credit.
 - D. Help the government close down violating lenders.
33. When a foreclosure sale does not bring enough to satisfy the loan balance, the lender may:
- A. Cancel the sale.
 - B. Make a counteroffer to the highest bidder.
 - C. Sue the mortgagor for a "deficiency judgment".
 - D. Do nothing and accept the highest bid.
34. A clause that requires the full loan balance to become due to the creditor if property is disposed of is:
- A. Acceleration clause
 - B. Due on sale/alienation clause
 - C. Escalation clause
 - D. Partial payment clause.
35. The following is true about foreclosure sales:
- A. If more than the amount owed to the lender is bid, the extra money is considered a profit to the lender.
 - B. The mortgage is paid first and then the unpaid property taxes are paid.

MULTIPLE CHOICE - FINANCING

- C. If foreclosure sale did not bring enough to satisfy the loan, the bank must collect the difference from insurance.
D. If two mortgages existed on the property, the senior will be paid first and then the junior.
36. Which of the following is true regarding mortgage assignment?
A. They are illegal.
B. They are not allowed by law for conventional loans but they are permissible for government loans.
C. A prepayment penalty will be due upon assignment.
D. A formal assumption involves approval of the new purchaser by the lender.
37. Interest charged on typical seller financing / Land Contract financing is limited to:
A. 7%
B. 11%
C. 14%
D. 24.9%
38. Michigan criminal usury ceiling is set at:
A. 25%
B. 11%
C. 7%
D. 15%
39. The difference between property fair market value and the amount owed on it is the:
A. Mortgagor's equity.
B. Statutory equity.
C. Mortgagee's equity.
D. Fair market equity.
40. A person's right to reclaim property after foreclosure is called the:
A. The statutory right of redemption.
B. The bank's permission to redeem.
C. Redemption of equity.
D. Redemption legal reclaim.
41. The payment of an old loan with a new loan is termed "refinancing". Which is the least likely purpose for "refinancing" loans?
A. To acquire the property
B. To pay for rehabilitation or modernization
C. To get more advantageous loan than was on the property
D. To raise money for purposes of satisfying a balloon payment
42. A buyer wants to take out an FHA loan. The broker should refer the buyer directly to:
A. Any approved lending institution such as a bank or savings and loan association.
B. An FHA appraiser in the area.
C. The Federal Housing Administration Office.
D. The Federal National Mortgage Association.
43. Under Truth-in-Lending, it is permissible to advertise which of the following statements alone?
A. \$2000 down
B. 10% interest per annum
C. Low down payment
D. \$125 per month
44. Truth-in-Lending laws apply to:
A. Commercial loan transactions involving real property
B. Residential real estate mortgages 1-4 family dwellings
C. All personal property transactions
D. Unconscionable contracts
45. The Truth-in-Lending law is designed to do which of the following?
A. Limit the amount of interest charged the borrower
B. Limit the amount of closing costs
C. Make it possible to easily shop loan interest and terms
D. Stop usury
46. Property purchase for \$600,000 with a \$500,000 mortgage, it's present value is \$750,000 and the mortgage balance is 450,000. A much equity does the owner have?
A. \$100,000
B. \$150,000
C. \$300,000
D. \$250,000 is lease
47. The restrictions relating to advertisement of credit terms contained in the Truth-in-Lending law:
A. Would permit the use of the phrase "no down payment" without further disclosure of financing terms.
B. Apply to newspaper, TV, radio, and magazine ads, but not to direct mail solicitation.

MULTIPLE CHOICE - FINANCING

- C. Mandates the use of the interest amount in dollars when advertising.
D. Mandates the use of the annual percentage rate (APR) when advertising interest rates.
48. Regulation Z provides a right of rescission:
A. To first mortgages only.
B. That expires three business days after the date of consummation of the transaction or the date on which the lender makes material disclosures, whichever is later.
C. That applies to commercial and residential loans.
D. For Junior liens only.
49. Charley is purchasing a home for \$78,000 and the lender is giving a 90 percent loan at 10 percent interest, plus a 2 percent loan origination fee. How much is the loan origination fee?
A. \$1,560
B. \$1,404
C. \$7,020
D. \$1,650
50. Based on the 9% APR, how much simple interest accumulates in one year if a buyer purchases a property for \$85,000 and receives a loan based on a 75% loan to value ratio?
A. \$7,650
B. \$5,738
C. \$1,913
D. \$4,250
51. In the event a first mortgagee fails to record his/her mortgage and a good-faith second mortgagee records his/her mortgage first, which of the following would be true?
A. The second mortgagee has priority.
B. The borrower is personally liable only to the first lender
C. Both lien holders split the loss
D. Recording is not an issue; it is the date of the loan that matters
52. Assume that a buyer is making fully amortized payments of \$600 per month on a purchase-money mortgage. Which of the following is true?
A. The amount applying to the principal decreases each month.
B. The interest payment stays the same.
C. Interest and principal payments are constant.
D. The amount applying to interest decreases each month.
53. What would a private investor use to insure a conventional loan?
A. Federal Housing Administration
B. Federal Home Loan Bank
C. Federal National Mortgage Association
D. Private Mortgage Insurance (PMI)
54. Of the following, who is benefited by an acceleration clause in a mortgage?
A. The borrower
B. The lender
C. A future purchaser upon resale of property
D. The trustee
55. All of the following are considered benefits to a deed in lieu of foreclosure except:
A. Mortgagee receives property immediately without waiting out redemption time
B. Mortgagor and mortgagee avoid the expense of legal process
C. Property will probably have less damage when received by mortgagee
D. Mortgagor must pay the mortgagee the difference between the mortgage balance and the current appraised value of property
56. An "acceleration clause" found in a promissory note or mortgage would mean that:
A. Upon the happening of a certain event, the entire amount of the unpaid balance becomes due.
B. Payments must be made more frequently at a future specified date.
C. The interest rate can increase.
D. Payments may not be made more frequently than specified.
57. If the mortgagee has the property sold at a foreclosure sale and it brings an amount inadequate to pay off the loan, what can the mortgagee do?
A. Sue the mortgagor for the deficiency
B. Cancel the sale
C. Hold the mortgagor criminally liable
D. Cancel the redemption period

MULTIPLE CHOICE - FINANCING

58. The points of non-conventional loans are computed and based on:
- A. Sales price
 - B. Listing price
 - C. Loan amount
 - D. Closing costs
59. A mortgagor's right to reclaim the foreclosed property from the successful bidder within a certain period of time starting from the date of the foreclosure sale is:
- A. Satisfaction of mortgage
 - B. Equitable right of title
 - C. An action for judgment
 - D. Statutory right of redemption
60. When is a mortgagor most likely released from liability under a mortgage?
- A. Upon a sale subject to the mortgage
 - B. Upon an assumption of the mortgage
 - C. Upon a sale under a land contract
 - D. Upon recording a discharge
61. A clause in a mortgage that may permit the lender to call the entire balance due if the property is sold or otherwise conveyed by the mortgagor is called:
- A. Defeasance clause
 - B. Alienation clause (due on sale clause)
 - C. Acceleration clause
 - D. Power of sale
62. Mortgage satisfaction is evidenced by which of the following?
- A. Estoppel certificate
 - B. A discharge
 - C. Acceleration
 - D. Promissory note
63. In real estate financing, the debt is evidenced by:
- A. A mortgage
 - B. A promissory note
 - C. A chattel mortgage
 - D. A financing statement
64. Which of the following is a source of primary mortgage funds?
- A. MGIC
 - B. Federal National Mortgage Association
 - C. Federal Home Loan Mortgage Corporation
 - D. Federal Savings and Loan Association
65. Two years ago, John bought a home on a VA loan. John has just been transferred to another city and is concerned with his present mortgage as well as purchasing a new home after the transfer. What can John do?
- A. Surrender the home to VA who guarantees the loan
 - B. Must sell the home to another veteran
 - C. Allow a non-veteran to assume the loan and move on to purchase another home on a second entitlement
 - D. The lender must accept a deed in lieu of foreclosure and record a loan discharge
66. Which of the following is true regarding REO?
- A. Property available on the short sale
 - B. Property sold with seller financing
 - C. Property in the process of foreclosure and can be redeemed by an investor
 - D. Property owned by a foreclosing lender
67. Which of the following is NOT considered to be a benefit of an FHA loan?
- A. A low down payment
 - B. Property will be fixed up before closing
 - C. Loans are automatically assumable
 - D. Loans are insured
68. Which of the following is most likely considered to be illegal?
- A. Private seller on land contract charges 14% interest
 - B. A bank charges 24% interest on a mortgage loan
 - C. A broker charges a 26% commission
 - D. A buyer pays commission to the broker instead of the seller
69. Susan used a \$30,000 home equity loan secured by her present home, to purchase an investment that she was thinking of fixing and flipping at a later time, which of the following types of loans is most applicable to her situation?
- A. A partially amortized loan
 - B. A balloon mortgage
 - C. A bridge loan
 - D. An interest only loan

MULTIPLE CHOICE - PRINCIPLES OF AGENCY

MULTIPLE CHOICE - PRINCIPLES OF AGENCY

1. Which of the following is true regarding an open listing given to 4 different brokers if one of them sold it?
 - A. They all split the commission.
 - B. 50% of the commission goes to the one who sold it and the other 50% is distributed between the other brokers.
 - C. An open listing is illegal.
 - D. Only the broker who sold the property receives a commission and the others get nothing.
2. All but which one of the following are proper responsibilities of the listing agent?
 - A. Loyalty to the principal
 - B. Due diligence and skill
 - C. Accounting for funds and indemnification
 - D. Obtaining the best possible financing for the buyer
3. Listing agent knows that seller is anxious and willing to take less than the listing price. The buyer asks if the agent recommends any other price besides the asking price. Agent must:
 - A. Be honest and indicate that seller will accept less.
 - B. Tell the buyer that seller indicated that he will not accept less under any circumstances.
 - C. Tell the buyer that he could make an offer but the agent can guarantee nothing.
 - D. Call the seller and ask him if he should tell the buyer that the seller will take less.
4. As a buyer's agent, a broker feels that property is overpriced, but buyer indicates willingness to offer full price. Broker must do which of the following?
 - A. Have the buyer sign a full price offer and present it to the seller for a fast sale.
 - B. Tell the buyer to offer less and not present an offer unless the buyer agrees to lower the price.
 - C. Advise the buyer as to what the fair market value should be and leave it up to her.
 - D. Urge the buyer to offer full price because the broker always has duty to the seller, no matter what type of agency is created.
5. As agent of the buyer, you know that a certain bank is offering lower interest rates than what the buyer thinks he can get from another lender where

the mortgage loan officer is a friend of the buyer. Your duty is to:

- A. Leave the buyer alone, since he is a client and should not be bothered.
 - B. Contact the loan officer directly and tell him.
 - C. Inform the buyer of the other lender's rates and urge him to take the savings.
 - D. Ignore the lower rates, since that will cause delays in financing and hard feelings between the two friends.
6. A broker is hired under an exclusive right-to-sell listing agreement and later is told by the owner that the owner's daughter is buying the house directly from the father. The broker should:
 - A. Terminate the listing.
 - B. Insist that the daughter write the offer through the broker's company.
 - C. Inform the seller that he will owe a commission.
 - D. Advise the seller to wait until the listing expires six months later, then sell the property to his daughter in order to avoid paying a commission.
7. A person who authorizes another person to act on his/her behalf is called:
 - A. The salesperson
 - B. The fiduciary
 - C. The agent
 - D. The principal
8. An agent of the seller is not responsible for telling a prospective buyer that:
 - A. House has a potential structural defect.
 - B. Zoning makes the potential use of property non-conforming.
 - C. Inspection of a house has shown some signs of termite damage.
 - D. An owner will accept less for a property than what it is listed for.
9. After showing a property a number of times and not securing an acceptable offer, the broker decides to buy the property himself. He must do which of the following?
 - A. Wait until the listing expires and then submit an offer to purchase
 - B. Make his/her true position known to the seller
 - C. Buy it through a third party
 - D. Must split the profit with the owner

MULTIPLE CHOICE - PRINCIPLES OF AGENCY

10. The listing broker owes a direct fiduciary responsibility to whom?
- A. The listing salesperson
 - B. The buyer
 - C. The listing owner
 - D. The cooperating broker
11. A sub-agent of a seller would best be described as which of the following?
- A. Special agent
 - B. General agent
 - C. Transaction coordinator
 - D. Designated agent
12. The best description of a special agent would be a person who:
- A. An attorney
 - B. A broker
 - C. Has limited authority
 - D. Contractual authority
13. If a prospective buyer makes an offer that is much lower than the listed price, the broker must do which of the following?
- A. Try to persuade the seller to accept it
 - B. Present the offer to the seller
 - C. Do not accept the offer
 - D. Accept the offer and wait until other offers on the property are made before presenting it to the seller
14. An owner requests a broker to list a property for sale at \$70,000. Upon inspection, the broker believes the property is worth \$80,000. The broker should:
- A. Get a net listing for the property at \$70,000
 - B. Buy the property for \$70,000
 - C. Inform the seller that the property is worth \$80,000
 - D. Suggest that the owner list the property for \$75,000 so that there will be room for bargaining
15. Termination of listing by force of law applies to which of the following?
- A. Property is condemned by the city
 - B. Property is hit by tornado, only the basement is left
 - C. Listing had expired
 - D. Property is sold and closed
16. The broker's responsibilities in presenting to the seller a written offer to purchase include:
- A. Making known to the seller all written offers before seller accepts an offer
 - B. Making known the legal ramifications and practical effects of an offer
 - C. Advise the seller as to the tax consequences of the sale
 - D. Advise the seller to reject the initial offer in an effort to get a higher price
17. All but which one of the following are proper responsibilities of a real estate agent?
- A. Loyalty
 - B. Indemnification
 - C. Financing
 - D. Accounting For Funds
18. A broker (seller's agent) informs his/her salespeople of a leak in a roof of a property that is listed with his/her office. This fact is also made known to a subagent who cooperates with the listing office and sells the property, but does not tell the buyer about the leak and the buyer does not learn about the leak until after the closing. All of the following are liable for failure to disclose this information except the:
- A. Listing broker
 - B. Seller
 - C. Selling salesperson
 - D. The buyer
19. Listing owner tells broker that he will not pay him a commission because the seller sold the property himself, most likely the seller has signed
- A. An exclusive right to sell
 - B. An exclusive agency listings
 - C. A limited service listing
 - D. A short term listing
20. A salesperson responds to an ad in the paper by a "For Sale by Owner." The owner gives the salesperson a key to inspect the property being sold. What type of agency is thereby created?
- A. Fiduciary
 - B. Implied agency
 - C. Contractual
 - D. None
21. In a multiple listing, a salesperson that negotiates a sale is directly responsible to:

MULTIPLE CHOICE - PRINCIPLES OF AGENCY

- A. Listing broker
B. His/her or her employing broker
C. Cooperating salesperson
D. The seller
22. As agent of the seller, a real estate broker is usually authorized to do all except which of the following?
A. Bind the principal under a sales contract
B. Advertise the listed property
C. Place a "for sale" sign on the listed property
D. Cooperate with the other brokers to effect a sale
23. A seller tells his or her broker that termites have destroyed the floor and that the swimming pool is in violation of the city setback requirement. Furthermore, the seller indicates that the neighbor's garage encroaches 3 inches over his property line and that he is anxious to sell the house because he's being transferred. The broker's salesperson is required to disclose to a buyer all of the following except:
A. Condition of floor
B. Pool violation
C. The transfer
D. The encroachment
24. Sally and David work for sunshine Realty. Sally listed a house and was designated as a seller's agent, David obtained a buyer agency contract and was designated as a buyer's agent. In the event that David's buyer buys Sally's listing, which licensee of the company becomes a dual agent?
A. Sally only
B. David only
C. Both Sally and David
D. Their broker
25. According to the laws of agency:
A. Broker must always charge a commission and put the amount on the listing form
B. Broker may sue and collect a commission even without disclosing that s/he acted in dual capacity
C. A net listing is legal but only if the agent makes a reasonable amount of profit on the property
D. If a listing has a protection clause and the seller sells the property to the broker's buyer during the protection period, the seller must pay a commission
26. Except under specific conditions, an agent may serve only one principal at a time; however, a principal may have more than one agent. Which of the following would best describe such a situation?
A. Multiple listing
B. Open listing
C. Exclusive agency
D. Exclusive right to sell
27. Which of the following does not terminate an agency created by a listing?
A. Insolvency of the listing broker
B. Fire destroying the listed property
C. Insanity of listing salesperson
D. Revocation of the broker's license
28. Which of the following is an example of Puffing?
A. Agent tells a buyer that she loves the decor in the house
B. Agent tells buyer that the landscape is one of the nicest that she had seen in a long time
C. Agent tells buyer that within the next five years, the economy in the city is expected to experience the highest growth in the nation
D. Agent tells buyer that the kitchen design was provided by an award winning architect
29. An agency that gives a broker an exclusive right as an agent, but, owner retains the right to sell the property himself, without paying a commission, is:
A. An exclusive agency listing
B. An open listing
C. An exclusive right to sell
D. A sale by owner listing
30. A contract providing for the payment of a commission to the listing broker, no matter who sells the property, is called a(n):
A. Net listing
B. Open listing
C. Exclusive-agency listing

MULTIPLE CHOICE - PRINCIPLES OF AGENCY

- D. Exclusive-right-to-sell listing
31. In the process of obtaining a listing on a property that shares a driveway with the adjacent house, the owner insists that you don't mention this fact to any prospective purchaser. Regarding this problem, you should:
- A. Inform a prospective buyer in spite of the seller's insistence
 - B. Not mention this fact unless a buyer asks
 - C. Refuse the listing
 - D. Do as the seller asks
32. If a broker holds two listings, an open listing on one property and an exclusive agency listing on another, and one week after both listings expire the two owners get together and exchange properties without previously being shown the properties, the salesperson may:
- A. Sue for full commission on both
 - B. Sue for commission on the open listing
 - C. Demand full commission on the exclusive listing
 - D. Receive no commission from either listing
33. The phrase "procuring cause" is most significant in relation to:
- A. An exclusive agency
 - B. An open listing
 - C. An exclusive-right-to-sell listing
 - D. A net listing
34. John and Sally work for a broker who does not practice designated agency. John listed a house and Sally obtained a buyer agency contract from her buyer. If Sally's buyer buys John's listing, what sort of agency relationship is there?
- A. John is the seller's agent, Sally is a buyer's agent, and the broker is a dual agent.
 - B. Everyone including John, Sally, other agents in the company, and the broker, is a dual agent.
 - C. John, Sally, and the broker are dual agents. Other agents in the company remain neutral.
 - D. John is a seller's agent, Sally is a buyer's agent, the broker does not become a dual agent unless he supervises both John and Sally in the same transaction.
35. In the process of performing due diligence, a listing agent discovers that there was a murder/suicide that took place in the property 15 years ago. Furthermore he discovers that the listing owner had shot and killed an intruder that was trying to rob him at the property. Furthermore the agent discovers three registered sex offenders in the neighborhood. As far as the condition of the property the seller refuses to provide a seller's disclosure statement but asks the agent not to mention the fact that the roof and basement leaks when it rains. If the agent accepts the listing, she must inform the seller that she would have to disclose
- A. The leak
 - B. The murder/suicide
 - C. The shooting of the intruder
 - D. The registered sex offenders
36. After listing the property, a buyer approaches the agent at an open house, introduces himself, and asks to negotiate directly with the seller. The agent tells the buyer to deal directly with him and promises that he will take good care of the buyer and very possibly get him a good price on the property because he is aware of the seller's motivation to sell. What type of relationship is created between the agent and the buyer?
- A. An agent-customer relationship
 - B. An expressed agency with the buyer
 - C. An implied/ostensible agency with a buyer
 - D. A designated agency with the buyer
37. All of the following will terminate a listing between a broker and seller except:
- A. Destruction of the listed property
 - B. Bankruptcy of the listing owner
 - C. The sale of the property
 - D. The owner informs the broker that he will not be able to pay the full commission because an offer submitted by the broker was too low
38. John works for a broker who practices designated agency. John listed property and was designated as the seller's agent. Two weeks later,

MULTIPLE CHOICE - PRINCIPLES OF AGENCY

John obtained a buyer agency and was designated as the buyer's agent. John's buyer bought his listing. What is the agency relationship with the buyer and seller?

- A. John is a transaction coordinator, his broker is a dual agent.
- B. John is a transaction coordinator as well as his broker.
- C. John is a dual agent as well as the broker.
- D. John is a buyer's agent, the broker is a seller's agent because the listing is in the broker's name.

39. A transaction coordinator is one who:

- A. Represents neither buyer nor seller.
- B. Acts as an agent of both buyer and seller.
- C. Acts as an assistant to an agent to coordinate different stages of the transaction.
- D. Represents neither buyer nor seller but must advise them equally.

40. After obtaining six listings, Kimberly decides to leave her real estate company and join a different broker, what is the status of the listings?

- A. They follow her to the new company
- B. They must be released by the Broker and relisted with the new company
- C. They stay with the former broker
- D. The owners will have a choice as to which company they prefer to go with

41. Which of the following is true regarding a six-month exclusive buyer agency contract?

- A. The buyer may sign the agreement with multiple brokers. Only the broker who locates a suitable property is entitled to a commission
- B. A broker will not be compensated unless the buyer either purchases one of the broker's listings or a listing offered in cooperation with another broker
- C. Regardless of who found the property, the broker is due a commission if the buyer buys during the six-month period
- D. If the broker locates property during the six-month term, it must be exclusively made available to the buyer who signed the contract

42. Which of the following is true with regards to the licensee's practice and limitations under a dual agency?

- A. The licensee gets paid by both buyer and seller
- B. The licensee must not advise neither side and allow the parties to carry-on with their own negotiations
- C. The licensee is not at liberty to disclose 100% of known information to neither side
- D. The licensee has a full fiduciary duty to both sides

43. How would a buyer's agent most likely help a client?

- A. Obtain an appraisal on properties that the buyer is interested in, in order to recommend a purchase price
- B. Conduct a market analysis on a property that the buyer is interested in and recommend a purchase price
- C. Research the history of the property as to the price paid by the seller to acquire the property as well as the cost of improvements made
- D. Contact the listing broker and inquire as to the seller's motivation to sell and the least price that she will accept

44. Which of the following terminates a listing by "operation of law"?

- A. Death of the broker who holds the listing
- B. Seller decides not to sell the property
- C. The death of the salesperson who gained the listing
- D. The sale and closing of the listed property

45. Seller indicated that a designer ceiling fan was not to be included in the sale and he excluded the item in the listing agreement. If the agent prepares the purchase agreement, who's responsibility is it to exclude the fan from the sale?

- A. It may not be excluded because it's a fixture.
- B. The seller.
- C. The seller must hire an attorney to go over the contract and write proper language to exclude the fan.
- D. The agent.

MULTIPL CHOICE QUESTIONS, PROPERTY CONDITION & DISCLOSURE

- 1- The purpose of the seller's disclosure statement is to:
 - A. Determine all defects with the property
 - B. Inform a potential buyer of conditions known to the seller
 - C. Be able to sue the seller for any defects with the property
 - D. Stop the buyer from withdrawing from the sale before closing
- 2- A buyer signed a purchase agreement and was later able to legally withdraw from the transaction and received a refund of the deposit. Under which of the following circumstances was the buyer able to rescind the transaction?
 - A. The buyer could not be approved for a loan at favorable interest rates
 - B. The buyer was surprised that his employer was transferring him to another city
 - C. The buyer heard that someone was killed in the house
 - D. The buyer did not receive a seller's disclosure statement
- 3- All of the following are material facts except:
 - A. Leak in the roof
 - B. Crack in the basement wall
 - C. Problem with plumbing
 - D. Seller is anxious to sell
- 4- Seller's disclosure statement must be provided to buyer:
 - A. No later than nine business days after signing the offer to purchase
 - B. Before an offer to purchase is signed
 - C. Any time before closing
 - D. No later than two days after closing
- 5- The listing salesperson has no duty to inform a buyer that:
 - A. Zoning is a problem for the property
 - B. Leaks from a nearby toxic waste dump site have caused underground pollution.
 - C. Seller indicated that she will accept less for the property
 - D. The city inspector will probably not issue a permit to build on this property unless a cleanup takes place
- 6- An owner asks the salesperson if his company will accept less commission. The salesperson must:
 - A. Leave the commission blank after signing the listing agreement and see if the broker will later allow a lower commission.
 - B. Tell the owner that all commissions are set by the state and there is nothing he can do
 - C. Lower the commission to any reasonable amount agreed upon between the salesperson and the owner.
 - D. Tell the owner that the decision must be made by the broker and he has no authority to accept less commission.
- 7- The street in your neighborhood has been paved by the city. How will that affect your tax bill?
 - A. Millage rate will increase.
 - B. Assessed value will decrease.
 - C. You may receive a bill for special assessments
 - D. Your property tax will be lowered.
- 8- An agent inspects a new listing and notices obvious leaks in the roof as well as around windows. He is told by the seller that the furnace is not working properly and that all the defects will be disclosed on the seller's disclosure statement. The agent also notices water in the basement, but the seller tells him to ignore the water because he had paid a company to fix it but it still leaked, therefore they were coming back to fix it again under warranty. Which of the following is NOT considered to be proper behavior by agent?

MULTIPLE CHOICE QUESTIONS - PROPERTY CONDITION & DISCLOSURE

- A. Make sure that the leaks and the furnace issue are disclosed
 - B. Recommend an inspection to a potential buyer just in case there are more defects in the property
 - C. Since the issue with the basement is covered by warranty, there is no need to be concerned with it
 - D. Provide a completed seller's disclosure statement to the buyer before signing the purchase agreement
- 9- A provision placed in the deed by the seller aimed at controlling the present and future use of property is called:
- A. Seller restriction
 - B. Land use regulation
 - C. Unnecessary burden on the buyer
 - D. Deed restriction
- 10- An agent is selling a vacant lot in a neighborhood that is not served with sanitary sewers. The agent should make the purchase agreement subject to
- A. A foundation inspection
 - B. A percolation test
 - C. A soil sampling inspection
 - D. A building permit
- 11- Which of the following would be covered under a home / construction warranty?
- A. Damages resulting from overpaying for the property
 - B. Damages resulting from a defective title
 - C. Damages resulting from a defective furnace
 - D. Damages resulting from an unpaid water bill prior to closing
- 12- John is thinking about selling his house but wants to try it "by owner" to see if he can save the commission. Sally provides John with a free market analysis hoping to list the property and informs him of the necessity of providing a seller's disclosure statement. John thanks Sally for her service but refuses to list the house with her. If John needs a copy of the seller's disclosure form, where can he get it?
- A. Sally must provide it to him even though he did not hire her
 - B. Sally can refer him to the state website where he can download it
 - C. Sally can suggest that he contact a lawyer or the local government
 - D. Sally should tell him that the disclosure is required only when a licensee is involved in the sale of the property

MULTIPLE CHOICE - CONTRACTS

MULTIPLE CHOICE - CONTRACTS

1. When the parties to a contract agree to close by a certain deadline with absolutely no extensions, what must the contract state?
 - A. Irrevocable offer clause
 - B. Time is of the essence clause
 - C. Time extension clause
 - D. Absolute deadline clause
2. When a party to a contract makes a promise in exchange for another promise, this contract is:
 - A. Unilateral
 - B. Bilateral
 - C. Implied
 - D. Executed
3. All of the following elements are essential to validate a contract except:
 - A. Valuable consideration
 - B. Legal capacity of the parties
 - C. Meeting of the minds
 - D. Witnessing
4. A 25-year-old individual signed a contract with a 17-year-old. The contract may be subject to the following:
 - A. If the minor decided not to perform, he may be forced to do so by a court of law.
 - B. The major is not obligated to perform.
 - C. It is up to the minor to enforce the contract or to void it.
 - D. The contract is enforceable by the major but not the minor.
5. A purchase agreement is signed by all parties, but later it is determined that the price will be lowered in return for the seller not including some of the appliances. What must the agent do?
 - A. Do nothing; it is up to the parties to do what they want.
 - B. Close the deal based on the new terms; just make sure that the closing statement reflects the new price.
 - C. Cancel the purchase agreement and have them sign a new one.
 - D. Draw an amendment reflecting the changes and have the parties sign it before the closing.
6. Under an option period of six months to purchase property, all of the following are true except:
 - A. The optionee may assign the option to a third party.
 - B. The optionee may exercise the option at any time within the six months.
 - C. The optionor may not force the optionee to perform under the option.
 - D. The optionor must return the option payment if the optionee does not exercise the option.
7. When a party to a contract fails to meet its terms, this is known as:
 - A. Novation
 - B. Assignment
 - C. Breach
 - D. Performance
8. Seller accepted an offer and later refused to close the deal. The buyer may do which of the following:
 - A. Do nothing.
 - B. Ask for his deposit to be refunded, since there is no other legal remedy.
 - C. Sue the broker.
 - D. Sue for specific performance.
9. A novation is:
 - A. The same as a sublease
 - B. Acquiring property after encroaching on it for the statutory period of time
 - C. The substitution of a new person or contract in place of another
 - D. A nonperformance
10. Seller is asking \$200,000 cash and the buyer offered \$180,000 which was rejected by the seller. The seller sent a counteroffer for \$190,000 but the buyer rejected it. Later the seller decided to accept the original \$180,000.
 - A. The buyer is obligated to buy the property for \$180,000.
 - B. The seller has no right to accept the \$180,000 price since he had rejected it in the first place.
 - C. It is up to the buyer to offer \$180,000 again, since his original offer was rejected.
 - D. The buyer should have accepted the counteroffer, because counteroffers are always binding.

MULTIPLE CHOICE - CONTRACTS

11. The best and most satisfying way of terminating a contract is:
- A. Abandonment
 - B. Breach
 - C. Default
 - D. Performance
12. The name of a law that requires contracts to be in writing in order for them to be enforceable is:
- A. Statute of limitations
 - B. Statute of written contracts
 - C. Statute of frauds
 - D. The occupational code
13. All of the following are considered real estate contracts except:
- A. An option
 - B. A sales contract
 - C. A mortgage
 - D. Duress
14. When purchaser defaults on purchase agreement, the earnest money deposit is:
- A. Paid to the broker
 - B. Paid to the seller as liquidated damages
 - C. Refunded to the buyer because it is illegal to keep anyone's money
 - D. Legally split between the broker and the seller
15. To withdraw an offer before it is accepted is known as:
- A. Rescission
 - B. Rejection
 - C. Revocation
 - D. Breach
16. Under what circumstances can a buyer revoke his/her offer to purchase?
- A. Any time before the closing.
 - B. No later than three days after it has been accepted by the seller.
 - C. Any time before he/she is notified that his/her offer was accepted by the seller.
 - D. Once an offer is made, it may not be revoked unless rejected by the seller.
17. A purchase agreement is considered accepted and binding on both parties when:
- A. A full price offer is made by the buyer.
 - B. A closing takes place.
 - C. The acceptance of the seller has been communicated back to the buyer.
 - D. Offer is accepted, buyer is notified of acceptance, and there is an earnest money deposit with the broker.
18. According to law, the smallest amount of monetary deposit that must accompany an offer to purchase is:
- A. \$500
 - B. \$1.00
 - C. No less than 5% of the purchase price.
 - D. None is specified
19. Tom made an offer and placed a deposit with the seller and the offer was accepted. Later he decided to withdraw from the deal, and the seller released him and gave him back his deposit. This is known as:
- A. Breach
 - B. Rescission
 - C. Novation
 - D. Lack of interest
20. All of the following are true regarding a sales contract except:
- A. It is binding on both parties.
 - B. It will be terminated at the closing.
 - C. It sets the price and terms.
 - D. It transfers legal title.
21. Under an option to purchase property for \$125,000 with a \$2,000 option fee, all of the following are true except:
- A. Option may be assigned.
 - B. Option must be exercised.
 - C. Optionor may not refuse to sell.
 - D. Option fee is not refundable.
22. Charles put an offer on a house subject to obtaining financing and the offer was accepted by the seller. Later Charles was unable to obtain financing and brought the seller a letter of rejection from the bank. Which of the following is true about Charles' deposit?
- A. The deposit must be kept with the broker until Charles finds another property.
 - B. The seller gets the deposit.
 - C. The broker keeps the deposit as liquidated damages.
 - D. The deposit is refunded to Charles.

MULTIPLE CHOICE - CONTRACTS

23. Buyer makes an offer subject to the sale of the buyer's house, the seller does not want to wait indefinitely. What should the seller do?

- A. Reject the offer unless the buyer already has a purchase agreement on the house that he is selling
- B. Accept the offer, especially if the market is slow, but keep reminding the buyer that he must sell his property as soon as possible
- C. Accept the offer but add an "escape clause" reserving the right to accept a subsequent offer from a different buyer
- D. Accept the offer but place a short deadline on the closing, if the buyer cannot close by the stated deadline, the purchase agreement will automatically become null and void

24. All of the following have contractual ability except:

- A. An unmarried person 18 years old.
- B. An illiterate person.
- C. A single 62-year-old man still living with his parents.
- D. A well-educated college professor well under the influence of alcohol.

25. Interest that buyer acquires in property after the signing of a sales contract by all parties:

- A. Title
- B. Adverse possession
- C. Equitable title
- D. None whatsoever

26. Seller is asking \$125,000 but accepted a \$110,000 offer subject to financing. A week later a full-price offer is made to the seller. Under which of the following circumstances can the seller accept the second offer?

- A. Under no circumstances whatsoever. The seller may not accept any other offers once an offer is accepted.
- B. Only after contacting the first buyer and getting his permission to accept a second offer.
- C. As a backup offer, which will only be effective if the first buyer withdrew from the deal.
- D. Only after sending a certified letter to the first buyer and not receiving an answer within a specified period of time.

27. An agent received an offer to purchase and contacted the seller but was not able to see her until 10 o'clock at night. Before leaving his office, he was contacted by another cooperating agent who presented him with a second offer that was much lower than the first offer that he has. What should the agent do?

- A. Reject the second cooperating offer, since it is much lower and there is no chance the seller will accept it.
- B. Tell the cooperating agent that he has to wait, since there is already an offer that must be either accepted or rejected before any other offer could be presented.
- C. Take the second offer and present it to the seller anyway.
- D. Take the second offer from the agent, but it is legal not to present it to the seller since there is no chance that she will accept it.

28. As agent of the buyer, Susan is showing an out of town buyer a house that has been on the market for 18 months listed at \$300,000. What must Susan do regarding her knowledge of the length of time the property has been on the market?

- A. Disclose this fact because it is a state law requirement.
- B. Not disclose because it can jeopardize the seller's bargaining position.
- C. Susan must mention this fact to the buyer because, as a buyer's agent, she must disclose all known facts about property especially something that could improve the client's bargaining position.
- D. Should ask the seller if they mind that such a fact be disclosed to the buyer.

29. Landlord gives tenant the right to buy property at a certain price on or before lease expiration, this is known as:

- A. Lease with option to buy
- B. Lease with obligation to buy
- C. Lease with tenancy
- D. Lease with specific performance

30. What should a seller who decides to revoke a counteroffer do?

- A. She must make sure that buyer is notified before the counteroffer is accepted.
- B. She may not do so.

MULTIPLE CHOICE - CONTRACTS

- C. She must notify the buyer of accepting another offer, which automatically nullifies her counteroffer.
D. She must wait at least 3 days from the date of her counteroffer according to law.
31. As a buyer's agent, the best time to qualify a buyer is:
A. After an offer has been made and the price is determined.
B. At no time, since the buyer should know how much she can afford.
C. If the buyer requests that the agent analyze her financial position.
D. Before selecting houses to show so we can determine what a buyer can afford.
32. Tenant requested a low monthly rental rate for one-year and agreed to purchase the property at the end of the lease, this arrangement is known as:
A. Lease with option to buy
B. Lease with right of first refusal
C. Lease with obligation to buy
D. Tenancy from period to period
33. An offer to purchase is accepted and later it is determined that the closing cannot take place on the date stated in the contract of sale (purchase agreement). If the buyer and seller agree to delay the closing 10 days, the broker should:
A. Draw an amendment and have the buyer and seller sign it.
B. Rescind the transaction and draft a new offer.
C. Change the closing date of the contract and have the seller initial it.
D. Do nothing because the parties agreed to the change.
34. Under an option for a period of 120 days to purchase a property for \$40,000 with payment of \$2,000 option fee, all of the following statements are true except:
A. The optionee is the buyer.
B. The optionor is the seller.
C. The optionor may not force the optionee to perform under the option.
D. In order for the optionee to purchase the property, she must be willing to match any offer that comes on the property from a third party.
35. When a party to a contract does not satisfy the terms of the contract, this is called:
A. Novation
B. Breach of contract
C. Menace
D. Rejection
36. In a contract that involves a buyer and a seller, if the seller fails to perform, the buyer may do all of the following except:
A. Sue for damages.
B. Get back the deposit money.
C. Sue for specific performance.
D. Leave the purchase price with a court clerk and occupy the property anyway
37. If one of the parties to a contract of sale (purchase agreement) signs the contract on the basis of false statements about the property, the contract is voidable on which of the following grounds?
A. Contractual ability of the parties
B. Duress
C. Misrepresentation of facts
D. Lack of consideration
38. A novation is best defined as:
A. The assignment of one party to another of a contract wherein both the original parties remain liable.
B. The substitution of one party for another in a contract wherein the original contract is extinguished and the undertaking of the new party is a new obligation.
C. The same as a revocation.
D. A means of acquiring title by adverse possession.
39. Upon the seller's default, what should happen to the earnest money deposit?
A. It belongs to the broker.
B. It is returned to the buyer
C. It is used to reimburse the broker for out of pocket expenses, the rest is given back to the buyer.
D. It is automatically applied towards future purchase of other property by the buyer.

MULTIPLE CHOICE - CONTRACTS

40. Which of the following phrases is out of place?

- A. Valuable consideration
- B. Offer and acceptance
- C. Breach.
- D. Mutual assent

41. Buyer made an offer at less than the asking price. Seller then made a counteroffer. Buyer would not accept the counteroffer. If seller then agreed to accept the first offer, which of the following statements about the transaction is true?

- A. The buyer must complete the deal.
- B. The broker can force the buyer to perform.
- C. The buyer was released from the offer because the seller made a counteroffer.
- D. The broker is liable if the contract is unenforceable.

42. What is the most important reason for placing an earnest money deposit?

- A. Valuable consideration
- B. Liquidated damages
- C. To show the seller that the buyer is serious about the purchase
- D. To bind the contract, otherwise it will not be binding even if the seller accepts the offer

43. Property owner signs an option with land developer agreeing to sell his property for \$3 million to this particular developer. The option is valid for 3 years. This agreement is

- A. A bilateral contract between the parties where both buyer and seller have agreed to perform
- B. A unilateral contract where the buyer only has made a commitment
- C. A unilateral contract because only the seller is obligated
- D. A purchase agreement between the parties

MULTIPLE CHOICE – LEASING AND PROPERTY MANAGEMENT

MULTIPLE CHOICE – LEASING AND PROPERTY MANAGEMENT

1. A lease that requires a tenant to pay all operating expenses such as property taxes, insurance and maintenance, is:
 - A. A percentage lease.
 - B. A net lease.
 - C. A graduated lease.
 - D. A gross lease.
2. A tenant who is interested in purchasing the house she is leasing and wants a chance to match a bid that may come in from a third party should obtain:
 - A. A lease option.
 - B. Right of first refusal.
 - C. A lease assignment.
 - D. A third party contract.
3. The following statement is true concerning subleasing:
 - A. The lessor collects rent directly from the sublessee.
 - B. The sublessor is leasing from the sublessee.
 - C. The sublessee is the owner.
 - D. The sub-lessor is liable for damages caused by the sub-lessee.
4. When the tenant pays a fixed amount of rent and the landlord pays expenses on the property, this is a:
 - A. Gross lease
 - B. Net lease
 - C. Escalation lease
 - D. Expense paid lease
5. Which is true about assigning a lease?
 - A. According to the law, once a lease is assigned, the assignor must be released from responsibility if the assignee did not pay.
 - B. The assignee is automatically released from liability.
 - C. The landlord/lessor may or may not release the assignor/lessee of liability.
 - D. It is the same as a sublease.
6. The tenant's interest in leased premises is known as:
 - A. A life lease.
 - B. A reversionary estate.
 - C. Tenant's rights.
 - D. A leasehold estate.
7. A lease that specifies lower rent payments in the early stages and later the rent is increased is known as:
 - A. A partially increased lease
 - B. Graduated lease
 - C. Percentage lease
 - D. A low rent lease
8. A lease provides for increases based on future expenses of property, this is explained in the :
 - A. First right of refusal clause
 - B. Net lease clause
 - C. Escalation clause
 - D. Expense clause
9. A nine-month lease creates:
 - A. Tenancy from period to period.
 - B. Tenancy at sufferance.
 - C. Tenancy for years.
 - D. Tenancy in common.
10. Sharon purchases a 10-unit apartment building and discovers that six of the tenants have low rent leases while the others are paying low rent on a month-to-month basis. What can Sharon do?
 - A. Inform the tenants with leases that they have to re-negotiate a new lease with the new owner.
 - B. Immediately raise rents on those who have month-to-month leases.
 - C. Legally, she could evict everyone and replace the units with new tenants.
 - D. She could raise rents for tenants that are on month-to-month basis with proper written notice; as for those who have leases, she must wait until the leases expire.
11. Which of the following would probably be under a percentage lease?
 - A. A doctor's clinic.
 - B. A single family home.
 - C. An apartment unit.
 - D. A retail establishment.
12. June leases a warehouse and pays \$3,000 per month and pays all property taxes, maintenance and insurance on the building. June is probably under:
 - A. A gross lease.
 - B. A warehouse lease.
 - C. An expense paid lease.
 - D. A net lease.
13. An escalation clause in a lease will probably provide for:
 - A. The right to terminate a lease.

MULTIPLE CHOICE – LEASING AND PROPERTY MANAGEMENT

- B. The right to assign the lease.
C. The right to assign or sublease.
D. Adjustments of rental payments in the future.
14. All of the following have leasehold estates except:
A. Tenant at will
B. Tenant for years
C. Tenant from period to period
D. Tenant by the entireties
15. When an assignment of lease clause is placed in a lease, this means that:
A. The lessee may not assign the lease under any circumstances.
B. The lessee may assign the lease to anyone she chooses without notice to the landlord.
C. The lessee may not sublease without approval of the landlord.
D. The lessee may not assign the lease without approval of the landlord.
16. When Susan signed a lease on her barbershop, her attorney recommended a fixtures clause that will serve to:
A. Provide her with automatic renewals upon expiration of lease.
B. Allow her to match an offer by a third party to purchase the property.
C. Allow her to remove any permanently attached personal items upon expiration of lease
D. Requires landlord to install all fixtures that she needs for her operation.
17. When John's lease expired, he was not sure whether he wanted to renew the lease or not, because his boss told him that he may be transferred. So he continued to send rent payments to his landlady, who continued to accept them. John's tenancy is known as:
A. Tenancy from period to period.
B. Tenancy at sufferance.
C. Tenancy in common.
D. Tenancy for years.
18. When Helen decided to lease space in a strip center to open up a Karate school she wanted to have the right to renew her lease upon expiration but the landlord refused to grant her a lease option but gave her a written promise that should her lease expire, she will be given the opportunity to match any offer made on her space by a third party. This is known as:
A. A lease extension.
B. A longer lease.
C. A lease option.
D. First right of refusal.
19. Which of the following will NOT terminate a lease?
A. Destruction of property.
B. Government condemnation.
C. The death of the landlord who has a life estate.
D. The sale of the property.
20. Which of the following is true about deed restrictions?
A. The local government to limit the use of property places them.
B. They are unenforceable if the grantor is dead.
C. They must be honored unless the grantor files a "quieting title suit" to avoid them.
D. They "run with the land".
21. A deed restriction is placed in the deed by:
A. The broker
B. The grantee
C. The grantor
D. The lender
22. Tenant wishes to lease residential property but does not want any surprises as far as monthly expenses, the tenant should request to sign a
A. gross lease
B. net lease
C. percentage lease
D. graduated lease
23. Which of the following leases would a motivated landlord offer to attract tenants and fill vacancies?
A. Net lease
B. Graduate / step up lease
C. Percentage lease
D. Index lease

MULTIPLE CHOICE – TRANSFER OF TITLE

MULTIPLE CHOICE, TRANSFER OF TITLE

1. In order to deliver title, the following must happen:
 - A. Grantor signs deed, grantee signs deed
 - B. Grantor and grantee sign, but deed must be delivered and accepted by grantee
 - C. Grantor signs and delivers deed to the grantee
 - D. Grantor signs, delivers deed, and deed must be recorded.
2. A general warranty deed must contain:
 - A. The covenant against encumbrances
 - B. A willing, able and ready seller
 - C. Monetary consideration
 - D. All covenants of title
3. A type of deed that involves no warranties and conveys whatever interest the grantor may have in property is the:
 - A. Special warranty deed
 - B. Bargain and sale deed
 - C. Covenant deed
 - D. Quit claim deed
4. Which of the following is not necessary to validate a deed?
 - A. A competent grantor
 - B. The granting clause
 - C. Valuable consideration
 - D. Recording
5. A warranty deed contains covenants as to the quality of:
 - A. Construction
 - B. Environmental problems
 - C. Title
 - D. The type of use
6. John deeded property to Charles, who failed to record. Later John deeded property to Susan, who accepted it in good faith and recorded it. Who would have superior rights to this property?
 - A. Charles, because he bought it first.
 - B. John, because by selling it twice neither sale was valid.
 - C. Susan, because she recorded first.
 - D. Charles and Susan will split the property
7. When closing a transaction, property taxes that were due but not paid are:
 - A. A debit to the buyer and a credit to the seller.
 - B. A debit to the seller.
 - C. A credit to the buyer.
 - D. Normally not prorated
8. On the closing statement, an amount of property tax paid in advance by the owner for a period extending after the day of the closing is:
 - A. A debit to the seller.
 - B. A credit to the buyer.
 - C. A debit to the seller but a credit to the buyer.
 - D. A debit to the buyer but a credit to the seller
9. To inspect for clouds on the title, you must:
 - A. Order a survey.
 - B. Order an environmental audit.
 - C. Order title search.
 - D. Pay a visit to the Register of Deeds office.
10. Title insurance will protect against all but which of the following?
 - A. A missing heir.
 - B. Forged signature.
 - C. Unrecorded lien.
 - D. Fire in the house.
11. To remove a cloud from the title through court proceedings, an individual must:
 - A. Obtain an abstract of title.
 - B. Obtain actual notice.
 - C. File a quieting title suit.
 - D. Obtain title insurance.
12. A lender's title policy is effective until:
 - A. A claim is paid.
 - B. Property is sold.
 - C. A cloud appears on the title.
 - D. The loan is paid off.
13. All of the following regarding title search is true except:
 - A. An abstract is the result of recorded conveyances and encumbrances.
 - B. An abstract will reveal the last owner of record.
 - C. An abstract is better than a title policy because it insures against monetary losses resulting from a clouded title.

MULTIPLE CHOICE – TRANSFER OF TITLE

- D. Both abstracts and title insurance are the result of title search.
14. The time allowed for recording an instrument is:
A. 24 hours
B. 72 hours
C. No more than 90 days
D. No time limit
15. Constructive notice is established by:
A. Showing the document to an individual.
B. Recording a document at the Register of Deeds office.
C. Filing a document with the court clerk.
D. Notifying an individual by certified mail after recording.
16. In the real estate business, all but which one of the following documents are usually recorded?
A. Deed
B. Land contract
C. Mortgage
D. Promissory note.
17. Helen has two mortgages on her property. One was placed in 1990 when she bought her home and the other in 1997 when she took a home equity loan from a different lender. It appears that the first lender failed to record the mortgage. Which of the following is true?
A. The first lender has a senior position since they had given the money first and the mortgage they received was dated earlier than the second mortgage.
B. Upon foreclosure, the 1990 mortgage will be paid first, and if any funds are left, then it will go to the second mortgage dated 1997.
C. If the 1997 home equity loan was recorded, then it became a senior lien.
D. Both loans have equal standing in the eye of the law.
18. All of the following must take place at the closing except:
A. Deed is signed by the seller and buyer.
B. Closing statement is provided and signed by the broker.
C. Closing is supervised by the broker.
D. Documents are sent to be recorded at the Register of Deeds office.
19. The clause in the title policy that allows an insurance company who paid a claim to seek reimbursement from the party who caused the loss is called:
A. Subordination clause.
B. The cloud clause.
C. Quieting title clause.
D. Subrogation clause.
20. Which of the following is most likely a disadvantage to real estate ownership?
A. Leverage.
B. Cash flow.
C. Liquidity.
D. Appreciation
21. A Bill of Sale is used:
A. Strictly when furniture is sold with a house.
B. When real estate that houses a business is sold.
C. To transfer title to chattel
D. When subsurface rights like oil and minerals are sold.
22. Which type of deed provides the least liability to the Grantor?
A. General warranty deed
B. Full warranty deed
C. Quit claim deed
D. Special warranty deed
23. All of the following are considered differences between an owner's title policy and the lender's policy except:
A. One of them covers the purchase price while the other covers the loan amount.
B. One is paid for by the seller while the other is paid for by the buyer/borrower.
C. One protects the buyer while the other protects the lender.
D. One compensates the buyer for losses due to a defective title while the other guarantees to the lender that title will not be defective.
24. All of the following judicial deeds except:
A. Sheriff's deed
B. Administrator's the
C. Guardian's the
D. Special warranty deed
25. The main purpose of the settlement statement is to:
A. Show seller concessions
B. State the amount of the broker's commission
C. Allow credit for buyer's deposit
D. Describe debits and credits for buyer and seller
26. Helen signs a buyer agency contract with her nephew Tom. The contractual relationship has been established with:
A. Tom
B. Tom's broker
C. Potential sellers
D. Brokers in the MLS

MULTIPLE CHOICE – PRACTICE OF REAL ESTATE

MULTIPLE CHOICE - PRACTICE OF REAL ESTATE

1. The following logo is required by law to be included in the following:

- A. Options to purchase but not to lease real estate.
- B. Certain real estate display ads.
- C. All closing statements and residential rental agreements.
- D. Commercial leases only.



2. A minority owner requests that the licensee deletes the anti-discrimination clause from the listing because he is offended by it and would not even dream of discriminating against other minority individuals. The licensee must:

- A. Delete the clause.
- B. Get permission from the broker before the clause is deleted.
- C. Ask the seller to wait until he sees the buyers in case they are of a different race group and the seller may still want to discriminate anyway.
- D. Tell the seller that it is a state requirement and a listing will not be valid without it.

3. To suggest to property owners that their property may be losing value due to entry of minorities into the neighborhood is:

- A. Legal as long as property is not listed below fair market value.
- B. Known as racial steering.
- C. Called blockbusting.
- D. Legal if done with government approval.

4. An owner contacted an agent asking to list property but indicated that minorities would not be allowed to buy. The agent must:

- A. Get state approval before listing property.
- B. Follow client's instructions.
- C. Refuse the listing.
- D. Accept the listing but show it to minorities anyway.

5. A family with children was legally turned down and was not allowed to rent in an apartment building. Which of the following would be an acceptable reason for the rejection?

- A. The complex was a senior citizen's complex for ages 62 or older.
- B. The complex was an adult community for those eighteen years old or older.
- C. The apartment building had a lot of students who would need their quiet to study.
- D. The family had little babies who would cry at night and bother everyone.

6. A lending institution has a policy of not making loans in a certain part of town because it is populated mostly by minorities. Although they would not state that reason on their rejection letter, they make sure they find something wrong with the applicant to turn him down. This practice is known as:

- A. Neighborhood steering
- B. Unethical bank lending
- C. Redlining
- D. Minority credit screening.

7. Which of the following is permissible under civil rights acts?

- A. Referring a buyer with AIDS to another company salesperson who has recently tested HIV positive because they will probably be more comfortable with each other.
- B. Refusing to rent to a mentally disabled individual despite the fact that she is accompanied by her mother who is competent and will sign the lease.
- C. Refusing to rent to a blind person with a leader dog because the complex allows no pets.
- D. Refusing to show a minority individual a house priced at \$1.5 million dollars because the licensee knows that the buyer cannot afford to purchase more than a \$350,000 home.

8. After vacating property, the manager noticed that his disabled tenant has made a few changes on the property. Which of the changes can the manager charge the tenant to restore?

- A. Tenant installed an elevator in the house.
- B. The front door was widened and a ramp was installed.

MULTIPLE CHOICE – PRACTICE OF REAL ESTATE

- C. Additional lighting was added to help tenant who has poor eyesight.
D. Deaf tenant has connected doorbell to lights inside the house so they blink when someone rings the doorbell.
9. A two-story apartment building is recently placed in service. Which level must have accessibility to disabled individuals?
A. Both levels.
B. Upstairs only if elevators are installed.
C. The ground level only if no elevators are installed.
D. Neither level needs to be accessible unless it was used for group homes.
10. An interested buyer indicated that she would only buy the house she was just shown if the neighborhood is "all white". The agent responded by saying, "This neighborhood is, in fact, racially integrated". Which of the following is true?
A. As long as agent was telling the truth, there is no problem.
B. Agent should also recommend to buyer to drive around neighborhood and inspect what type of minorities live there before buying.
C. Agent is guilty of "racial steering". The proper answer would have been, "I am prohibited by law from discussing this matter".
D. Agent should have screened a few neighborhoods for the racial composition of the occupants before bringing the buyer to this neighborhood and wasting her time.
11. Which of the following acts prohibited discrimination because of race without exceptions?
A. Civil Rights Act of 1866
B. Michigan Civil Rights Act (Elliot-Larson)
C. Fair Housing Amendment Act of 1988
D. Civil Rights Act of 1968
12. An owner of a duplex would not allow a family with children to live in the unit upstairs because children will be jumping up and down and he cannot go to sleep when he hears the noise. According to the fair housing act
A. This act is prohibited because it is discrimination against familial status
B. This act is permitted under exemptions - certain rules apply
C. The owner can limit the number of children but cannot refuse to rent altogether
D. This act is prohibited because it is discrimination with regards to marital status
13. A condominium Association bylaws prohibit pets that weigh more than 25 pounds. Sharon's son has an animal that has been trained to provide assistance but it weighs more than 25 pounds. What can the association's manager do?
A. As long as the bylaws clearly state a weight limit, the manager can prohibit the family from having the animal.
B. The manager can prohibit the animal but only if the family can replace that animal with another that weighs less than 25 pounds
C. Nothing
D. Allow the animal but can charge additional fees and deposit
14. Owner knows of mold growth inside the living room walls. He paints the walls and replaces some of the wallpaper. The home is immediately sold to an unsuspecting buyer without mentioning the mold. The buyer discovers the mold months later. This act by the seller is known as:
A. Silent fraud
B. Innocent misrepresentation
C. Fraud
D. Buyer Beware
15. Under what circumstances can a broker in Michigan pay a commission to someone who is not licensed in the state of Michigan?
A. Under no circumstances
B. Only to a licensed builder
C. If the person is a licensed broker from out of state and sends a referral
D. Only if the person lives in another country

MULTIPLE CHOICE – PRACTICE OF REAL ESTATE

16. A Russian property owner approaches a Russian agent to sell a restaurant that sells mostly Russian food. The agent lists the property and advertises strictly in Russian media to attract Russian business people who may be interested in operating the restaurant. This action by the agent is:

- A. Legal and will probably result in finding the best possible purchaser
- B. Illegal because an agent cannot advertise in minority publications
- C. Illegal because it discriminates against potential buyers who are not Russian
- D. Legal as long as he is following the owner's instructions

17. Upon investigating a licensee by HUD, which of the following would be the least determining factor in determining a violation?

- A. Licensee did not use the equal housing opportunity logo in his advertising
- B. Licensee directed advertising of a certain property to minority publications
- C. Licensee agreed to list property from a discriminating owner, but licensee never discriminated and showed the property to everyone
- D. Licensee did not intend to discriminate but his actions resulted in discrimination

18. After getting tired of trying to fix a leak in the basement, the seller decided to apply paneling to cover the cracks and sell the house. The buyer did not suspect any leaks in the basement, since she was purchasing the home during the wintertime when the ground is frozen and no leaks usually happen. The seller's action is best described as:

- A. Silent fraud.
- B. Perfectly legal under the theory of "caveat emptor".
- C. Misrepresentation
- D. Fraud

19. Which of the following violates the fair housing act?

- A. Showing a minority buyer a home in a predominantly minority neighborhood
- B. Refusing to show property to a minority buyer who cannot afford it
- C. Refusing to deal with a minority buyer who has poor credit, no income, and cannot qualify to purchase real estate
- D. Showing a Hispanic buyer homes, only in predominantly occupied Hispanic neighborhoods

20. A minor inherits property from his deceased parents. If the property must be sold to pay for the minor's living expenses, which of the following is true?

- A. If the minor was competent enough to receive title to the property, she is competent to deed the property to a buyer
- B. The property cannot be sold unless the minor reaches the age of majority
- C. A court – authorized legal guardian of the minor can deed the property to a buyer
- D. Only a probate judge can sell the property because a minor cannot receive title, title remains in the name of the court until the minor reaches the age of majority

21. Which of the following is not a protected class under the Fair Housing Act?

- A. Yes, it discriminates against non-veterans.
- B. No, brokers can isolate any group and advertise to them
- C. No, veterans from various protected groups can qualify as long as they show good credit and income
- D. Yes, because the ads are directed to a certain protected group instead of equal treatment

MULTIPLE CHOICE – PRACTICE OF REAL ESTATE

22. A lender advertises that it specializes in reverse mortgage loans. Which legal issues apply?

- A. The ad violates the fair housing act
- B. The ad discriminates against young borrowers
- C. There is no legal issue; any person from any protected class can qualify
- D. . It illegally discriminates against individuals who do not own a principal residence

23. A private club has a wide variety of members who come from different nationalities, race, religion, etc. which of the following is true if the club builds senior citizen housing for its own members?

- A. Must allow any senior to occupy a unit, regardless of that individual's race, color, religion, etc.
- B. The club can limit occupancy of the units to its own members as long as the housing project is set up as a nonprofit operation
- C. The club must allow both members and nonmembers to buy or lease into the project but the only exception can be the race of the applicant
- D. limiting occupancy, strictly to its own members violates the fair housing act

MULTIPLE CHOICE - REAL ESTATE CALCULATIONS

MULTIPLE CHOICE - REAL ESTATE CALCULATIONS

- 1- Quarterly interest due on a \$185,000 loan is \$2,775. What is the annual interest rate?

A. 6%
B. 1.5%
C. 3%
D. 2%

- 2- Property tax of \$4660/yr. paid in advance based on exact days method (calendar year). The seller stayed 6 months and sold the property. What is the proration at closing?

A. \$2,330 credit buyer and debit seller
B. \$2,330 debit buyer and credit seller
C. \$4,600 debit the buyer and credit seller
D. \$4,600 debit seller and credit buyer

- 3- Property tax \$2,646.25 payable in advance but is not paid. Using exact days method what proration is due if closing is scheduled April 28?

A. \$848.25 debit seller
B. \$848.25 debit buyer
C. \$1,798 debit seller
D. \$1,798 debit buyer

- 4- Property sold for \$72,650. Commission 6%. Calculate the transfer tax due to the county and the state

A. \$ 312.39
B. \$ 624.79
C. \$ 627.80
D. \$ 619.20

5. If price is \$128,000 and loan-to-value ratio is 75% with 3 points, how much does the buyer need to close?

A. \$34,880
B. \$130,880
C. \$98,880
D. \$35,840

6. If salesperson's commission was \$594 based on a 40% split, what was the total commission collected by the real estate company?

A. \$1,485
B. \$2,970
C. \$990
D. \$1,980

7. Loan amount \$60,000 with 4% annual interest. Monthly payment is \$300/M, what is the balance upon making the first payment?

A. \$59,700
B. \$59,800
C. \$59,750
D. \$59,900

8. Sue and Bill gross \$90,000/yr. The lender allows 43% of their income towards PITI. If property tax is \$6000/yr. and insurance \$1,200/yr. How much or a mortgage payment (P&I) can they afford?

A. \$2,625
B. \$3,225
C. \$2,725
D. \$3,125

9. Two brokers cooperate to sell a \$250,000 house and equally share a 7% commission. The listing salesperson splits commissions with her broker based on 65 – 35 in favor of the salesperson. How much commission does the salesperson receive?

A. \$11,375
B. \$5,687.50
C. \$8,750
D. \$3,062.50

10. What is the total depreciation deduction on residential income property purchased for \$165,000 including land valued at 20% of the total price if the law requires residential income property to be depreciated over 27.5 years and the owner kept the property for 11 years?

A. \$99,000
B. \$66,000
C. \$52,800
D. \$79,200

MULTIPLE CHOICE - MICHIGAN RULES AND REGULATIONS

MULTIPLE CHOICE - MICHIGAN RULES & REGULATIONS

1. Which of the following is not a purpose of the Land Division Act?
 - A. So that the size of the divided parcels of land will not be too large to be served with enough streets, roads, and adequate drainage and sewers.
 - B. So that the price of the sold lots would not inflate beyond the CPI.
 - C. So that when the land is bought and sold, people could accurately and upon the proper surveys, tell the boundaries of their land and be able to use accurate legal description.
 - D. So that the land may be properly divided and laid out.
2. Under the Land Division Act, property up to the size of 10 Acres can be divided into 4 parcels. How many splits are allowed for each additional 10 acres?
 - A. 3
 - B. 2
 - C. 1
 - D. 4
3. If the monthly rent is \$600/m, what is the most amount of money a landlord can charge a tenant to move in?
 - A. \$1,500
 - B. \$900
 - C. \$600
 - D. \$2,100
4. A landlord charging a deposit must inform the tenant of his obligation to notify the landlord of a forwarding address within _____ days after vacating.
 - A. 4
 - B. 30
 - C. 7
 - D. 45
5. In regards to construction of new condominiums, a purchase agreement is not binding until nine (9) business days after developer delivers condominium documents to purchaser. Which of the following is not required?
 - A. Evidence of minimum 2 year warranty on construction
 - B. Condominium Buyers Handbook
 - C. Copy of purchase and escrow agreements
 - D. Recorded master deed with attached by-laws and subdivision plans
6. Interval ownership of property is reflected in which of the following?
 - A. Timeshare
 - B. Lifetime stock ownership in a corporation
 - C. Reoccurring annual lease
 - D. Life estate
7. A licensee is selling vacant home site in an area that does not have municipal sewers. Which of the following is true?
 - A. Vacant lots may not be sold unless they are served with municipal sewer and water
 - B. Money in the amount of 10% of the purchase price must be held in escrow until the property is served with municipal sewer and water
 - C. The purchaser is responsible for connecting the property to municipal sewers before beginning construction
 - D. The sale should be made contingent on a percolation test that would be acceptable to the health Department
8. Which of the following is true with regards to the Michigan condominium act
 - A. For new and existing condominiums, the purchase agreement is not binding until nine business days after developer delivers condominium documents to the purchaser
 - B. Condominium documents must be delivered to the purchaser including the recorded master deed as well as information about the real estate company that will be holding the deposit
 - C. Recorded master deed, bylaws, purchase and escrow agreement, condominium buyers handbook and disclosure statement are all documents that must be delivered by the developer to the purchaser

MULTIPLE CHOICE - MICHIGAN RULES AND REGULATIONS

- D. If a buyer signs a purchase agreement on new construction and is not given necessary documents, buyer can withdraw from the purchase agreement within three business days
9. All of the following are true with regards to MSHDA except:
- A. Provides financing for low and moderate income households
 - B. Borrowers must occupy property as principal residence
 - C. Money is available for purchasing or refinancing
 - D. Monies available for existing homes or new construction
10. Which of the following statements are acceptable under the antitrust act
- A. Everyone charges the same commission rate
 - B. The MLS only accepts a minimum ninety-day listing
 - C. This is our market area. Tell him to stay in his own territory
 - D. Our company pays a 25% referral fee if you send us business
11. A licensee happens to be in a meeting with other agents from other companies who appear to be discussing fixing their commissions. In order for the licensee to be in compliance with antitrust laws what must she do?
- A. Express disagreement with what is going on and immediately leave the meeting
 - B. Discuss issues with other agents and inform the broker of what happens and let the broker decide
 - C. Discuss the issues with other agent but let them know that what is going on may be in violation of the antitrust laws
 - D. Remain quiet at the meeting
12. The best indication as to whether a salesperson is working as an independent contractor or not is?
- A. The type of real estate being sold such as residential or commercial
 - B. The amount of control the broker has over the agent as far as working hours
- C. Whether the salesperson is required to wear a certain color jacket or place a car sign
- D. Whether the salesperson must attend weekly meetings with the broker
13. Under the Michigan right to Farm act all of the following are true except:
- A. A farm operation shall not be found to be a public nuisance if the farm operates under general accepted practices
 - B. A farm operation shall not be found to be a public nuisance if it existed before a change in land-use within 1 mile of the boundaries of the farmland
 - C. A seller of property located in the vicinity of a farm operation must disclose that fact on the seller's disclosure statement
 - D. If a local ordinance passes that would make the farming operation unacceptable in the area, the local government can apply the new ordinance to the existing farmers shut them down.
14. With regards to condominium conversions, which of the following is inapplicable?
- A. Lease extensions must be offered to occupants over age of 65 years
 - B. Lease extensions must be offered to occupants with specific disability recognized by state income tax law
 - C. Law requires any person living on premises to purchase the unit
 - D. Law covers conversion of any building (residential use only) from rental to condominium ownership if it has six (6) or more rental units.
15. What is the total amount of transfer tax due to the state and county if the purchase price was \$45,750
- A. \$393.45
 - B. \$387.00
 - C. \$395.60
 - D. \$337.50

MULTIPLE CHOICE - MICHIGAN RULES AND REGULATIONS

Feedback: $3.75 + .55 = 4.30$ per 500 of the price. 45,750 is rounded up to 46,000 $\div 500 \times 4.30 = 395.60$

16. Which of the following is NOT true about the broker's trust fund?
- A. Salespeople may never be allowed to sign checks on the trust fund.
 - B. Cosignatories may be used; an individual who is not a broker or associate broker may be authorized to sign checks drawn against the trust account only if his/her signature is accompanied by the signature of a broker or an associate broker.
 - C. The trust account must be held with a financial institution in a non-interest bearing demand account.
 - D. A broker may maintain more than one trust account and may have up to five hundred (\$2,000) dollars of his own money, in each trust account.
17. Which of the following is not true about the broker's place of business?
- A. A broker may not change an address of a place of business without first notifying the Department.
 - B. A branch office that is more than twenty-five (25) miles from the city limit where the broker's main office is maintained must be under the direct supervision of an associate broker.
 - C. A broker must maintain an actual physical location where business is conducted and records are kept.
 - D. It can be anywhere in the US.
18. Which of the following violates the rules with regards to licensee's responsibility in handling offers to purchase?
- A. Failing to provide a copy of the rejected offer or counteroffer to all parties
 - B. Failing to promptly present a verbal offer the seller
 - C. Failing to purchase a title insurance for the buyer
 - D. Failing to promptly present an offer to purchase because another offer may be coming in a day or two
19. An offer to purchase is signed by all parties and a second offer comes on that property. The licensee's duties in presenting the second offer must comply with the following:
- A. If an offer is already signed by all parties, the licensee does not have a duty to present more offers unless instructed by the seller
 - B. Future offers must be presented and accepted as backup offers
 - C. The seller may legally withdraw from the accepted offer if the second offer has better price and terms
 - D. The licensee is required to present all offers even if one offer has already been accepted
20. With regards to a service provision agreement which of the following is true?
- A. A listing agreement shall have a definite expiration date or an anti-discrimination clause
 - B. A net listing is illegal unless the licensee is receiving a reasonable amount of money as commission
 - C. The agreement shall not require the client to send a written cancellation notice upon expiration of service term
 - D. In the event that the agreement does not have a definite expiration date, it may be automatically renewed
21. With regards to closings, a licensee shall have which of the following duties?
- A. Either the salesperson or the broker must attend the closing in person
 - B. A closing statement must be prepared by the broker and signed by both buyer and seller
 - C. Any last-minute changes at the time of closing must be reflected in a written amendment signed by all parties
 - D. Supervision of the closing shall be done by the broker or it may be delegated to an officer of the title company

MULTIPLE CHOICE - MICHIGAN RULES AND REGULATIONS

22. With regards to deposits, which of the following is applicable?
- A. The broker shall maintain a trust account to deposit all monies received from buyers and tenants alike
 - B. A salesperson receiving money must turn it over to the employing broker as soon as possible unless another offer is expected to arrive within three business days
 - C. Salesperson receiving a deposit check payable to himself must sign the back of the check and immediately handed to the employing broker
 - D. A broker must deposit the earnest money in the trust fund no more than 2 banking days after receiving notice that an offer to purchase is accepted by all parties
23. An offer to purchase is signed by the buyer on Monday and accepted on Tuesday, the broker must deposit the earnest money deposit into his trust fund no later than
- A. Tuesday
 - B. Wednesday
 - C. Thursday
 - D. Friday
24. All of the following are true with regards to handling deposits except
- A. All monies received from others in connection with the real estate activity must be deposited in the broker's trust account. Rental income as well as security deposits from tenants must be deposited in a separate management account
 - B. A salesperson receiving money must turn it over to her employing broker immediately
 - C. A salesperson shall not accept a deposit check made out to the salesperson. All checks must be written to the order of the broker
 - D. A broker must deposit earnest money in her trust account no more than three banking days after receiving notice that an offer to purchase is accepted by all parties
25. With regards to trust accounts all of the following are true except
- A. They are also known as escrow accounts and it must be maintained at a financial institution in a non-interest-bearing demand account
 - B. A broker may maintain more than one trust account and may have up to \$2,000 of his own money in each account
 - C. Checks drawn must be signed by a broker or associate broker
 - D. Salespeople are not allowed to sign checks on the trust fund
26. Under what circumstances can a broker not be responsible for an earnest money deposit associated with the sale of the property
- A. If he releases his liability to the money and the purchase agreement
 - B. If he deposits the money in the company general fund instead of the trust fund
 - C. If he turns the deposit over to the seller and let the seller control it
 - D. If the parties agree that the deposit will be held by a third party such as a title company and both sign an agreement to that effect
27. With regards to place of operation which of the following is applicable?
- A. A broker may do business from an actual place or instead may use a website for people to reach him
 - B. A broker may not have a branch office unless it's managed by an associate broker
 - C. A broker may not have a branch office more than 25 miles from the city limit where the broker's maintain his main office
 - D. Branch offices must be licensed by the Department and the broker may not change an address of a place of business without first notifying the department
28. With regards to record-keeping all of the following are true except
- A. The broker must maintain a system that consolidates all monies coming into the possession of the broker as well as all monies paid out

MULTIPLE CHOICE - MICHIGAN RULES AND REGULATIONS

- B. The broker must have a system that segregates one transaction from the other
- C. A broker who receives deposits from the public will not need a bookkeeping system if he can delegate that duty to his agents
- D. The broker's bookkeeping system must show the amounts, dates, purpose, and the names of the parties paying or receiving funds
29. A licensee is subject to disciplinary action if s/he commits all of the following violations EXCEPT:
- A. Charging the client more than the maximum legal commission
- B. Changing the business location (by the broker) without notifying the Department
- C. Failure to account for money coming into the licensee's possession, which belongs to others
- D. Acting for more than one party in a transaction (dual agency) without the knowledge and written consent of the parties
30. Which of the following is a violation of the Trust Fund Requirements?
- A. A broker keeping track of the amount of money received into the fund but NOT the amounts paid.
- B. A real estate broker depositing funds into the trust account within (2) banking days after the signing of a purchase agreement by all parties.
- C. Maintaining the broker's personal funds in a separate account in addition to the trust account
- D. A real estate salesperson immediately turning over money received into the hands of the broker.
31. Which of the following is true with regards to investigations that are conducted by the department
- A. The department may seek a subpoena from the Department of Atty. Gen. to force an un-cooperating broker to produce books and files
- B. The department must first receive a complaint against the licensee before it starts an investigation
- C. Once a complaint is filed with the department, the department will seek an injunction to revoke the license until the results of the investigation are determined
- D. The department may not seek an order to summarily suspend a license until after he had been found responsible for a violation
32. Which of the following penalties can be assessed against an individual who is selling real estate *without* a license?
- A. Up to one year incarceration
- B. Suspension or revocation of license
- C. A \$10,000 fine per violation
- D. Requiring him to have a CPA to balance his books
33. Which of the following is true with regards to the hearings that are conducted by the department?
- A. In the event that the initial investigation shows evidence of a possible violation, the licensee must attend a formal hearing
- B. A licensee may settle a complaint at an informal hearing or may choose to have her case heard by an administrative law judge at a formal hearing
- C. Once an investigation reveals a possible violation, the Department of Atty. Gen. will indict the licensee
- D. A licensee may choose to have both a formal and informal conference with the department and then choose which hearing results in a more favorable outcome.
34. Upon receiving a notice of investigation the licensee must
- A. Wait for a subpoena in order to start cooperation with the Department
- B. Make his books and records available if an investigator requested them
- C. Choose a formal hearing

MULTIPLE CHOICE - MICHIGAN RULES AND REGULATIONS

- D. Choose an informal hearing to settle the complaint
35. All of the following can result from an initial investigation of the licensee except
- A. Considering the complaint to be unfounded
 - B. An order to summarily suspend the license
 - C. An order to cease and desist from a violation
 - D. An order to revoke the license
36. Which of the following is considered to be a violation
- A. Acting as a dual agent
 - B. Working with an investor to buy commercial property without providing an agency disclosure form
 - C. A broker failing to return a salesperson's license within three business days after being notified that the salesperson has changed employment
 - D. A broker failing to deposit funds into the trust account within two banking days after the signing of a purchase agreement by all parties
37. With regards to the handling of money, which of the following is considered to be a violation?
- A. A broker deposit security deposit money received from tenants in a management account
 - B. A broker depositing earnest money deposit in a personal account but maintaining accurate records of the funds belonging to the public
 - C. Depositing funds received from the public into the trust account within two banking days after the signing of a purchase agreement by all parties
 - D. A real estate salesperson paying money received from the public to the broker instead of depositing the funds into the company trust fund
38. Which of the following is considered to be a penalty that would be assessed against a salesperson
- A. Requiring the salesperson to be bonded for ten thousand dollars and for five years
 - B. Suspending the license of a salesperson who cannot afford to pay restitution
 - C. Requiring a salesperson to pay a civil fine of \$10,000 for refusing to maintain accurate books and records of the company trust fund
 - D. Ordering a salesperson to serve 12 months in jail for violating administrative rules
39. Which of the following is true with regards to license renewal
- A. Due by October 31 of each year
 - B. Based on a three-year renewal cycle from the effective issuance date of the individual license and must be accompanied by 6hr continuing education
 - C. Based on a three-year renewal cycle including 6hr continuing education for each year the license was active
 - D. Based on a three-year renewal cycle by December 31 of each year
40. Which of the following is true with regards to license transfer
- A. The former broker has five days to return the license when informed that a licensee requests a transfer
 - B. The pocket card must be signed by the former broker as well as the new broker to create a 45 day temporary license
 - C. A salesperson may transfer but not an associate broker
 - D. A salesperson must first receive written approval from the Department before starting to work for the new broker
41. Which of the following is a violation of advertising requirements?
- A. Broker Larry Adams is licensed as Green Valley Realty and advertises as Green Valley Realty without mentioning his name
 - B. A broker is required to give the definite impression in the ad that the advertiser is a broker and can be reached at an actual place

MULTIPLE CHOICE - MICHIGAN RULES AND REGULATIONS

- C. A broker must not advertise using a different name other than the name that the broker is licensed under
 - D. A broker advertises his principal residence as a private party
42. Which of the following is considered to be a violation with regards to advertising of property by a salesperson
- A. A salesperson may not privately advertise property that she personally owns unless it is her principal residence
 - B. A salesperson may not advertise to lease or rent property as a private individual unless she is the owner of the property
 - C. Salesperson may not advertise owned rental property unless the sale is done through a licensed broker
 - D. A salesperson advertising listed property must state either her broker's name or her own name based on client's instructions
43. All of the following are considered legal advertising practices except
- A. A salesperson must only advertise under the supervision of the employing broker and in the name of the broker
 - B. A broker may not advertise to buy or sell real estate unless he gives the public a definite impression that the advertiser is a broker and not a private party
 - C. Selling property owned by a licensee requires written disclosure of that fact before an offer to purchase is signed
 - D. Advertising the licensed name must be accompanied with both telephone number and street address
44. Which of the following is true with regards to a licensee acquiring interest in property
- A. A licensee may not purchase property that is listed with her firm
 - B. A licensee may not purchase property from the public without first disclosing that she is in fact a licensee
- C. A licensee may not purchase listed property and receive a commission on it
 - D. A licensee receiving a commission on property that she is purchasing must disclose that information in writing any time before closing
45. With regards to purchasing property by licensee who will be receiving a commission for other services, which of the following is true?
- A. A licensee who is entitled to receive a real estate commission as a result of property sale may not receive additional fees for providing additional services
 - B. A licensee who is entitled to receive a real estate commission as a result of property sale may collect additional fees for providing other services after satisfying RESPA requirements and getting written consent from all parties in the transaction
 - C. A licensee may receive additional fees for providing other services above and beyond the sale of property but that is limited to receiving a fee for selling a home warranty
 - D. A licensee may receive additional fees for providing other services in addition to the real estate commission. RESPA requirements as far as kickback prohibition does not apply as long as all parties in the transaction give written permission
46. All of the following requires a Real Estate license by a person except:
- A. Helps a person to lease her property at no charge
 - B. Lists or offer or attempts to list
 - C. Buy or offer to buy
 - D. Sell or offer to sell
47. A person is considered to practice the real estate business as a principal vocation if he does all of the following except:
- A. Holds himself / herself out to the public as being principally

MULTIPLE CHOICE - MICHIGAN RULES AND REGULATIONS

- engaged in the real estate business.
- B. Sells a commercial building that he owns for a price in excess of Ten Million Dollars
- C. Dedicates more than half of his/her working time to the sale of real estate, or more than fifteen hours a week, whichever is less, during any consecutive six month period
- D. Enters into more than five real estate sales in a twelve-month period
48. All of the following are considered legal practice for a salesperson except
- A. Conducting a market analysis for a fee
- B. Negotiate the lease on a newly constructed shopping center
- C. Purchasing property for his own account with the intent to re-sell
- D. Working as a consultant for a fee
49. An unlicensed individual will be considered to be practicing real estate as a principal vocation if she
- A. Enters into five real estate sales within a 12 month period
- B. Generates most of her income of rental property that she owns
- C. Dedicates more than half of her working time to the sale of real estate during a consecutive six month period
- D. Buys a foreclosed house, fix it up, and resells it for a profit
50. Which of the following may be exempt from licensing requirements
- A. A licensed builder who usually buys and sells between 10 to 15 bank owned properties each year directing his crew to remodel them and then sell all of them
- B. Attorney-at-law who negotiates sales between his clients and potential buyers
- C. And attorney-in-fact acting under power of attorney
- D. A tenant receiving up to one month rent for referring another tenant in the same building
51. What is the main difference between a broker and an associate broker?
- A. A broker supervises the company while an associate broker is hired for the purpose of recruiting and training salespeople
- B. A broker is responsible for maintaining trust funds while an associate broker is hired as a branch manager
- C. An associate broker is strictly hired to supervise branch offices
- D. An associate broker is employed by a broker
52. If the broker's license of an entity is revoked, what happens to the licenses of those employed by the entity
- A. All licenses of associate brokers and salespersons will be revoked as well
- B. The license of the associate broker is revoked but the salespersons may transfer to another broker
- C. The licenses of all the associate brokers and salespersons are suspended
- D. The revocation of the entity's license has no effect on the associate brokers and salespersons
53. With regards to the license and pocket card requirements
- A. A licensee must have the pocket card on his person at all times
- B. The license must be presented to a homeowner during all showings
- C. License remains in the custody of the broker while the pocket card remains with the licensee
- D. Either the pocket card or the business card can be shown to a homeowner who requests legal proof that an individual is actually real estate licensee
54. With regards to a non- resident license
- A. The state of Michigan will license an applicant from a different state upon showing proof that he is licensed in his home state
- B. A licensee who wishes to receive the Michigan license must meet all licensing requirements
- C. A non-resident may be automatically licensed in Michigan only if his state has reciprocity with Michigan

MULTIPLE CHOICE - MICHIGAN RULES AND REGULATIONS

- D. A "consent of service" must be signed by non-residents otherwise the applicant must obtain all necessary education and pass an exam
55. Exemption to licensing include all of the following except:
- A. A salesperson working part-time
 - B. Attorney in fact acting under power of attorney
 - C. An attorney at law, acting as an attorney at law
 - D. A licensed builder who builds and sells new single family homes, two units, three units, or four unit family dwellings
56. Which of the following are duties of the real estate Board?
- A. Issuing a license
 - B. The interpretation of licensing requirements
 - C. Processing license renewals
 - D. Collecting renewal fee
57. Which of the following is not a duty of the Board?
- A. Recommending policy to the Federal Reserve System
 - B. Setting and adjusting the minimal standards of practice
 - C. Recommending approval for educational courses
 - D. Recommending to the Department to issue or renew a license
58. Which of the following is true with regards to the board of brokers and salespersons
- A. They meet three times a year or as often as necessary
 - B. They are elected by the real estate licensees
 - C. They promulgate rules to set and adjust the standards of practice
 - D. They aid the department investigations but may not assess penalties
59. Which of the following is true with regards to the duties of the department and the board
- A. The board issues and renews licenses but the department can order penalties
 - B. Both the board and the department participate in investigating licensees
 - C. The department may assess a penalty yet the board can only evaluate educational courses
 - D. The board is headed by the director while the department is headed by a chairperson
60. Real estate licensees in Michigan are licensed under the
- A. Michigan occupational code
 - B. Michigan licensing act
 - C. The real estate broker and salesperson code
 - D. Public act 332 of 1978
61. Which of the following is true?
- A. If a salesperson mishandles money received from a buyer, both the salesperson and the broker may be subject to investigation.
 - B. If a salesperson places a misleading ad in the newspaper, the broker is not responsible, provided that the salesperson wrote the ad himself.
 - C. A broker may not have a branch office more than 25 miles away from the city limit where her main office is located.
 - D. Licensee must carry a pocket card all the time.
62. The following person must be licensed to perform a real estate service and receive compensation:
- A. One who specializes in selling coin-operated car washes
 - B. Attorney-in-fact
 - C. A receiver
 - D. An executor or administrator
63. All of the following are true regarding a non-living entity acting as a broker except:
- A. It must have at least one principal associate broker
 - B. If the only associate broker in the entity lost his license, the entity cannot continue to operate unless another associate broker steps in to take responsibility for company operations
 - C. A non-living entity licensed as a broker must consist of a least one associate broker and one salesperson

MULTIPLE CHOICE - MICHIGAN RULES AND REGULATIONS

- D. A non-living entity licensed as a broker may be a corporation, partnership, joint venture, etc.
64. Which of the following is prohibited by licensing rules?
- A. Buying dinner for a friend in an effort to keep communication channels open in case he may decide to sell his hotel.
 - B. Sending flowers to a mortgage officer that may refer clients back to the licensee someday
 - C. Refusing to negotiate for the sale of property unless the client pays a nonrefundable retainer fee.
 - D. Asking an unlicensed friend to help you negotiate a transaction and promising to pay her a fee.
65. All of the following are true regarding advertising by licensee except:
- A. A broker is free to advertise his principal residence for sale privately.
 - B. A broker advertising his own investments for sale must give the definite impression that the advertiser is a broker.
 - C. A salesperson renting her own investments may advertise privately.
 - D. A salesperson selling his/her principal residence is free to advertise it as a private party
66. After listing property for 3 months, the licensee decides to buy it herself. Which of the following is true regarding this situation?
- A. Wait until the listing expires and buy directly from the owner to save the commission the owner would have paid to the real estate company, and caution the owner not to mention this to the real estate broker.
 - B. Wait until the last day the listing expires, then approach the seller to show him that his property is very hard to sell; therefore, he should lower the price and possibly sell it to the licensee.
 - C. Licensee should directly approach the seller and ask him if he would sell it to the licensee for a certain price, and indicate also that the licensee may be receiving a part of the commission paid by the seller to the real estate company - (All disclosures must be in writing).
 - D. It is better to send a friend to the seller and buy that property, since the licensee could advise the friend as to the seller's bottom line. Later, the friend could deed the property back to the licensee and that should not cause any hard feelings.
67. Sally, an ethical licensee, was notified by an owner asking to list his property for \$160,000. Upon inspecting the property, Sally felt that the property should be sold for \$225,000 and the seller cheerfully listed it for the higher price. Ninety days later, the seller accepted a \$220,000 offer and told Sally that he will gladly pay her a \$5,000 bonus above and beyond her commission. Which is true regarding this additional bonus?
- A. Any bonuses above and beyond the normal commission stated in the listing are paid and kept by the broker; the salesperson may not share any of that amounts, according to state rules and regulations.
 - B. The additional \$5,000 must be added on to the commission and then paid to Sally through her broker.
 - C. It is legal for Sally to accept the \$5,000 bonus directly from the seller as long as the check is made payable to her personally.
 - D. It is illegal for a licensee to accept any additional commission from the seller once the amount is set in the listing agreement.
68. Sally, who works for Sunshine Realty, listed a house that was sold by Max, who works for Green Valley Realty which is headed by broker Peggy. Max's buyer did not wish to sign a buyer's broker agreement with Green Valley Realty, and the agency disclosure that Max submitted to the seller when he met with him to present the offer showed that he was a seller's agent. Which of the following is true?
- A. If Max commits fraud, his buyer could sue Max, his broker Peggy, Sally's broker, and the seller; because it appears that Green Valley Realty is a sub-agent of the

MULTIPLE CHOICE - MICHIGAN RULES AND REGULATIONS

- listing broker; therefore they are both representing the seller.
- B. Max's broker, Peggy, has the final responsibility at the closing to provide a signed closing statement to the parties and to make sure that no errors are committed throughout the process.
- C. At closing, Max's broker, Peggy, will directly receive 50% of the commission from the seller, she will then pay Max's share of the commission.
- D. Throughout the whole process of showing the house and negotiating a sale, Max should have tried to satisfy the buyer by getting him the lowest possible price for the house and recommending conditions in the offer that would best serve the buyer, because if it wasn't for the buyer's money, a sale would not have taken place.
69. All of the following are indications that the salesperson is working as an independent contractor except:
- A. The broker withholds payroll taxes from her paycheck.
- B. She chooses her own time and number of hours to work
- C. She gets paid strictly by commission when she produces sales.
- D. She has a written contract with the broker indicating that she is an independent contractor, not an employee.
70. All of the following are true regarding paying commissions and referral fees except:
- A. If a salesperson receives a lead from a salesperson in another company, she must pay that salesperson a split directly from her commission.
- B. Business leads between Michigan brokers may be sent and received and referral fees may be paid as well.
- C. A Michigan broker may send a referral out-of-state and receive a fee from the out-of-state broker.
- D. A broker licensed in Michigan may receive a referral from a broker operating in another state.
71. A non-licensed assistant helping a salesperson may do all of the following except:
- A. Occasionally show houses to the salesperson's buyers when he is busy with other customers
- B. Take telephone messages for the salesperson
- C. Help registering incoming buyers into an open house held by the salesperson
- D. Address "thank you" letters to past clients
72. Before presenting an offer to purchase, a salesperson receives another offer on the same property just before she leaves the office to meet with the seller. On her way to the appointment, she is contacted on her mobile phone to be told that another offer will be written on the same property later that day. Which one of the following choices is correct for the salesperson to do?
- A. Present the offer that came first, present the second offer if the first offer is rejected, and ask the seller not to decide because a third offer may be coming.
- B. Present the two offers she has at the same time unless one of the offers has a contingency that the salesperson believes cannot be met; then present only the offer she feels has a chance of acceptance.
- C. Present the two offers that she already has, but inform the seller of a possible third offer later on.
- D. Wait for the third offer to come, and then present all three offers at the same time.
73. A deposit check made out by a buyer to the name of the salesperson must:
- A. Be certified by the bank to make sure funds are available, then immediately given to the broker.
- B. Not be accepted.
- C. Be endorsed by the salesperson and given to the broker.
- D. Be cashed and turned over to the broker immediately.
74. An offer is signed by the buyer and deposit is handed to the salesperson on Monday. On Tuesday, broker is notified that the seller

MULTIPLE CHOICE - MICHIGAN RULES AND REGULATIONS

- has accepted the offer. The deposit must be at the bank no later than
- A. Wednesday
 - B. Thursday
 - C. Tuesday
 - D. Monday
75. Which of the following is true regarding a real estate transaction?
- A. Due to the complexity of real estate transactions, it is permitted by the Department that parties agree on changes through telephone or video-recorded conference that could be referred to at a later date.
 - B. Changes decided upon by buyer and seller must be done outside the closing and preferably after the closing date, where the broker is not involved.
 - C. If an offer to purchase is signed by all parties and later the price must be changed, an "amendment" is signed by the parties reflecting the change.
 - D. Once an offer to purchase is signed by all parties, they have no right to make any changes.
76. After obtaining twelve listings, David, a salesperson, decided to resign his position with XYZ Realty and transfer to another city to follow his wife who was offered a new position as a computer programmer for a major corporation. Which of the following is true regarding the listings he had obtained?
- A. The listings must stay with the former broker because they belong to the broker anyway. The former broker will have to pay a commission when the listings are sold directly to David only if David's employment contract with the former broker dictates that.
 - B. Listings must stay with the former broker but state law requires the former broker to pay the selling commissions to David if those listings were sold.
 - C. David could take the listings with him to the new company, provided that both brokers sign an agreement to assign the listings.
 - D. As long as David finds another job with another real estate company in Michigan, he has the right to take
- the listings with him, but he must be sure he can service those listings.
77. When a licensee fails to meet license renewal requirements by the legal deadline. Which of the following may occur?
- A. License is revoked
 - B. License is suspended
 - C. License lapse one day after deadline
 - D. Licensee may continue to operate as long as he has met his continuing education requirement
78. Sally Jones is a licensed real estate agent. She comes and goes as she pleases, gets paid strictly by commission but is required to get her broker's permission before negotiating a commission rate and before submitting any advertising to the media. Which of the following applies to Sally?
- A. Sally must match the deduction on her paycheck for the Social Security (FICA) deduction
 - B. Sally will be receiving a W-2 form to file your income tax returns every year
 - C. Sally needs to file her income tax returns based on a 1099 form
 - D. Sally can expect the company to give her paid vacations and health insurance benefits
79. Which of the following takes place when a salesperson begins work with a broker
- A. The commission split is negotiated
 - B. The cities and neighborhoods that the salesperson will be working at is assigned
 - C. Policy and procedures manual including an employment contract is provided to the salesperson
 - D. The department is notified of the estimated length of employment that the broker anticipates for that salesperson
80. A broker hires a salesperson and arranges for her to receive a \$300 draw every week until she starts selling real estate and upon each closing the amount of the draws are deducted from the commissions that the salesperson is supposed to receive based on a percentage of the selling price. This arrangement indicates that the salesperson is a(an):
- A. Employee
 - B. Independent contractor

MULTIPLE CHOICE - MICHIGAN RULES AND REGULATIONS

- C. Branch manager
D. Assistant of an agent
81. A broker wishes to become a salesperson. What is the requirement?
- A. Attend a 40 hour salesperson pre-license course and take the salesperson's exam but must maintain both licenses at the same time
 - B. Apply for a salesperson's license and maintain both broker and salesperson license together
 - C. Apply for an associate broker's license which is the same as a salesperson
 - D. Surrender the broker's license to the department and obtain a salesperson's license
82. According to the Dodd Frank Act. An owner who wishes to finance the sale of his own property must employ the services of a loan originator unless he qualifies under an exemption. All of the following are exemptions under the law except:
- A. Seller is not the builder of the property
 - B. Seller does not use negative amortization
 - C. The loan interest rate is fixed for at least five years
 - D. Seller does not finance more than five properties within a 12 month period
83. A 100 acre parcel was divided into four (10) acre parcels, and one 60 acre parcel. How many years would someone have to wait before splitting the 60 acre parcel without creating a subdivision?
- A. 5 years
 - B. 10 years
 - C. 2 year
 - D. 25 years
84. An owner of 30 acres wishes to create as many splits as possible under the law without having to record a subdivision, which of the following split can he create as the maximum allowed by law?
- A. Six-5 acre parcels
 - B. Four parcels – 7 acres each and Two-1 acre parcels
 - C. One parcel-18 acres, another 6 acre parcel and six more parcels-1 acre each
 - D. Four-7.5 acre parcels
85. Salesperson accepts a deposit check payable to him personally, cashes the money and spends it. Who is liable?
- A. The salesperson
 - B. The broker
 - C. Both salesperson and broker
 - D. No one is liable as long as the money is returned
86. With regards to a prize that a broker wishes to offer to clients, which of the following is legal?
- A. A drawing must be conducted under the supervision of the department
 - B. A drawing must be fair and the broker cannot secretly award the prize to one of his friends instead of a client
 - C. The prize must be provided by the broker to every client without a drawing
 - D. A drawing can only be conducted in conjunction with a charity
87. Broker fails to renew license by October 31st of the renewal year. When does the license lapse?
- A. October 31st
 - B. November 1st
 - C. December 31st
 - D. January 1st next year
88. Which of the following is true regarding the broker's practice?
- A. Deposits must be handed over by salespeople to broker no later than 2 banking days after the signing of the PA
 - B. Closing statement must be provided by the title company

MULTIPLE CHOICE - MICHIGAN RULES AND REGULATIONS

- and signed by broker and salesperson
- C. A broker may choose to have more than one trust fund
- D. Advertising may not list the name of the salesperson
89. All of the following usually requires a service provision agreement except:
- A. Advertising the property
 - B. Accepting an earnest money deposit on behalf of a seller
 - C. Showing the property
 - D. Contacting the assessor's office for information on the property
90. With regards to the closing, which of the following is a listing broker's duty?
- A. Sign closing statement and provide copies to buyer and seller
 - B. The closing statement must be prepared by the title company
 - C. Attend the closing in person
 - D. Both buyer and seller must sign the closing statement
91. Which of the following is considered to be an illegal conversion of funds by a broker?
- A. Broker receives a commission and places it into his trust fund instead of his general fund
 - B. Broker deposits \$5000 into the trust fund but two days before closing he transfers \$3000 into his general fund to pay the office rent
 - C. Broker deposits a \$2500 deposit into the trust fund 10 days after receiving it
 - D. Broker delivers a deposit from his trust fund to the closing agent on the day of the closing
92. Which of the following is not made a part of a residential lease under Michigan landlord – tenant relationship act
- A. Consideration provided to the landlord
 - B. 2.5 months deposit
 - C. Address of the premises
 - D. Lease term
93. Which of the following penalties can the board of real estate brokers and salespersons assess?
- A. Exemplary/ punitive damages for slander of title
 - B. Reimbursement of court cost and legal fees
 - C. Censure
 - D. Indictment
94. Kimberly is attending a meeting with licensees from different companies to discuss certain MLS issues. Which of the following statements, if made by the other agents, would not cause Kimberly to immediately express disagreement and leave the meeting?
- A. The MLS should have a rule against lowering commission rates
 - B. The MLS should only accept 6 month listings
 - C. Nobody should work on his/her listings because of the low rates s/he charges
 - D. We cooperate with other brokers but do not always share commissions
95. Which of the following can become an associate broker?
- A. A Corporation
 - B. LLC
 - C. An individual Broker
 - D. A partnership
96. John was fired after complaining that the soap company that he used to work for was mixing chemicals and dumping the waste into the sanitary sewers. Which of the following has the right to take action against the company for ruining the environment?
- A. John
 - B. Any environmental group
 - C. Anyone
 - D. The state

ANSWERS TO MULTIPLE CHOICE QUESTIONS

ANSWERS - PROPERTY OWNERSHIP

1. B
2. C
3. D
4. C
5. B
6. B
7. D
8. B
9. D
10. C
11. D
12. C
13. C
14. A
15. A
16. D
17. C
18. C
19. B
20. C
21. D
22. C
23. C
24. C
25. C
26. B
27. D
28. C
29. D
30. D
31. C
32. C
33. C
34. A
35. A
36. C
37. C
38. C
39. D
40. A
41. D

ANSWERS- LAND USE CONTROLS

1. B
2. C
3. C
4. D

5. D
6. C
7. C
8. A
9. B
10. B
11. D
12. D
13. A
14. B
15. D
16. C
17. B
18. A
19. A
20. C
21. B
22. C
23. A
24. C
25. D
26. B
27. A
28. A
29. A
30. C
31. C
32. B
33. C

ANSWERS- VALUATION & MARKET ANALYSIS

1. C
2. D
3. C
4. D
5. C
6. C
7. D
8. C
9. D
10. C
11. D
12. C
13. B
14. C
15. B
16. A
17. C

18. A
19. D
20. D
21. B
22. C
23. A
24. B
25. B
26. D
27. A
28. D
29. C
30. B

ANSWERS TO MULTIPLE CHOICE - FINANCING

1. D
2. D
3. D
4. D
5. C
6. D
7. C
8. B
9. B
10. D
11. C
12. D
13. C
14. C
15. C
16. C
17. A
18. C
19. B
20. C
21. A
22. D
23. B
24. C
25. D
26. A
27. D
28. B
29. B
30. A
31. A
32. C
33. C
34. B
35. D

36. D
37. B
38. A
39. A
40. A
41. A
42. A
43. C
44. B
45. C
46. C
47. D
48. B
49. B
50. B
51. A
52. D
53. D
54. B
55. D
56. A
57. A
58. C
59. D
60. D
61. B
62. B
63. B
64. D
65. C
66. D
67. C
68. A
69. C

ANSWERS- PRINCIPLES OF AGENCY

1. D
2. D
3. C
4. C
5. C
6. C
7. D
8. D
9. B
10. C
11. A
12. C
13. B
14. C
15. A
16. A

ANSWERS TO MULTIPLE CHOICE QUESTIONS

17. C
18. D
19. B
20. D
21. B
22. A
23. C
24. D
25. D
26. B
27. C
28. C
29. A
30. D
31. C
32. D
33. B
34. B
35. A
36. C
37. D
38. C
39. A
40. C
41. C
42. C
43. B
44. A
45. D

ANSWERS - PROPERTY CONDITION & DISCLOSURE

1. B
2. D
3. D
4. B
5. C
6. D
7. C
8. C
9. D
10. B
11. C
12. A

ANSWERS - CONTRACTS

1. B
2. B
3. D
4. C
5. D
6. D
7. C
8. D
9. C
10. C
11. D
12. C
13. D
14. B
15. C
16. C
17. C
18. D
19. B
20. D
21. B
22. D
23. C
24. D
25. C
26. C
27. C
28. C
29. A
30. A
31. D
32. C
33. A
34. D
35. B

36. D
37. C
38. B
39. B
40. C
41. C
42. A
43. C

ANSWERS - LEASING

1- B
2- B
3- D
4- A
5- C
6- D
7- B
8- C
9- C
10- D
11- D
12- D
13- D
14- D
15- D
16- C
17- A
18- D
19- D
20- D
21- C
22- A
23- B

ANSWERS - TRANSFER OF TITLE

1. C
2. D
3. D
4. D
5. C
6. C
7. B
8. D
9. C
10. D
11. C
12. D
13. C
14. D

15. B
16. D
17. C
18. A
19. D
20. C
21. C
22. C
23. D
24. D
25. D
26. B

ANSWERS - PRACTICE OF REAL ESTATE

1. B
2. D
3. C
4. C
5. A
6. C
7. D
8. D
9. C
10. C
11. A
12. B
13. C
14. A
15. C
16. C
17. B
18. A
19. D
20. C
21. C
22. C
23. B

ANSWERS - CALCULATIONS

1. A
2. B
3. A
4. C
5. A
6. A
7. D
8. A
9. B
10. C

ANSWERS TO MULTIPLE CHOICE QUESTIONS

ANSWERS MULTIPLE CHOICE - **MICHIGAN RULES & REGULATIONS**

1. B
2. C
3. A
4. A
5. A
6. A
7. D
8. C
9. C
10. D
11. A
12. B
13. D
14. C
15. C
16. A
17. D
18. D
19. A
20. C
21. C
22. D
23. C
24. D
25. D
26. D
27. D
28. C
29. A
30. A
31. A
32. A
33. B
34. B
35. D
36. D
37. B
38. B
39. C
40. A
41. D
42. D
43. D
44. B
45. B
46. A

47. B
48. A
49. C
50. C
51. D
52. C
53. C
54. B
55. A
56. B
57. A
58. C
59. B
60. A
61. A
62. A
63. C
64. D
65. A
66. C
67. B
68. A
69. A
70. A
71. A
72. C
73. B
74. B
75. C
76. A
77. C
78. C
79. C
80. B
81. D
82. D
83. B
84. C
85. C
86. C
87. B
88. C
89. D
90. A
91. B
92. B
93. C
94. D
95. C
96. C