

# National Real Estate Licensing - Quiz Questions with Answers

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# I. Federal Law Affecting Real Estate

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## I. Federal Law Affecting Real Estate

1.

An alcoholic with a 550 credit score would like to rent an apartment. According to the federal Fair Housing Act, which of the following is permitted of the apartment building owner?

**The owner can reject the application because of the applicant's poor credit score**

The owner must lease the apartment

The owner may increase the rent

The owner may increase the security deposit

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*Correct answer: The owner can reject the application because of the applicant's poor credit score*

*The apartment building owner may reject the application of an alcoholic because of his poor credit score. The Fair Housing Act does not protect drug addicts or individuals who have been convicted of drug-related felonies. The Fair Housing Act does prohibit discrimination based on race, color, religion, sex, national origin, familial status, and disability. Alcoholism is considered a disability under the act.*

*The other choices are incorrect because the apartment building owner does not have to lease the apartment or increase the rent or security deposit.*

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2.

Any individual who feels he or she has been injured by a discriminatory housing practice may file a complaint with which of the following?

**The Secretary of the Department of Housing and Urban Development in the Office of Fair Housing and Equal Opportunity**

The Supreme Court of the United States

The United States District Courts

The Secretary of the Fair Housing Act in the Office of Fair Housing and Equal Opportunity

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*Correct answer: The Secretary of the Department of Housing and Urban Development in the Office of Fair Housing and Equal Opportunity*

*Any individual who feels he or she has been injured by a discriminatory housing practice may file a complaint with the Secretary of the Department of Housing and Urban Development. The complaint must be filed within one year of the incident, must be in writing, and must contain specific details of the alleged discrimination.*

*The other answers are incorrect because the Secretary of the Department of Housing and Urban Development is responsible for handling housing discriminatory acts, not the Supreme Court, the United States District Courts, or the Secretary of the Fair Housing Act.*

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3.

A real estate investor is building a four-story multi-family housing development. The Fair Housing laws require which of the following?

**Only the ground-floor units must accommodate the handicapped**

All units must accommodate the handicapped

Only 1 out of every 4 units must accommodate the handicapped

Only 1 unit on each floor must accommodate the handicapped

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*Correct answer: Only the ground-floor units must accommodate the handicapped*

*Fair Housing laws require new multi-story multi-family housing developments to accommodate the handicapped; however, only the ground-floor units must accommodate them.*

*The other choices are incorrect because only the ground-floor units must accommodate the handicapped, not all units, not 1 out of every 4 units, and not 1 unit on each floor.*

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4.

A buyer finds a home for a great value in an undesired area, but the buyer is willing to take the chance because the house is perfect for his needs. However, when trying to obtain financing to purchase the home, the lender refuses to lend money on the house due to the area in which it is located. This illegal practice is known as which of the following?

**Redlining**

Blockbusting

Steering

Gatekeeping

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*Correct answer: Redlining*

*This is an example of redlining, as redlining occurs when lenders refuse to lend money to borrowers purchasing homes in a particular area.*

*Steering is incorrect because it occurs when a broker or a salesperson only shows or refuses to show, homes located in particular areas due to race, color, religion, sex, national origin, familial status, or handicap. Blockbusting is incorrect because it occurs when brokers or salespersons try to profit from deliberately causing fear or panic in order to get homeowners to sell their homes at a reduced value in order for the broker or salesperson to turn around and sell them at a high price. Gatekeeping is incorrect because it is not a term used to describe illegal practices in real estate.*

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5.

Daisy owns her home and she decides that she wants to take out a home equity line of credit. So, she calls her bank and arranges for one. The loan agent comes to her home and Daisy signs all the mortgage paperwork on Friday, but the bank forgot to provide her with the disclosures. Until when can Daisy decide to rescind the loan?

**At any time before she accepts the money**

Wednesday at midnight

Monday at midnight

She can't rescind the loan once she's signed all the loan documents

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*Correct answer: At any time before she accepts the money*

*Daisy can decide to rescind the loan any time before she accepts the money because Regulation Z of the Truth in Lending Act gives borrowers the right to rescind a loan until midnight of the third business day after the transaction or until delivery of the disclosure statement, whichever is later. Since she did not receive the disclosure statements, her ability to rescind is not time-limited.*

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6.

A Hispanic couple hires a broker to find them a house. The broker looks at the demographics of particular neighborhoods and finds two that have higher percentages of Hispanics, as he feels his clients would be more comfortable in these two neighborhoods. Which statement is **true**?

**The broker is performing an illegal practice known as steering**

The broker is performing his due diligence

The broker is adequately performing his duties

The broker is performing an illegal practice known as redlining

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*Correct answer: The broker is performing an illegal practice known as steering*

*A broker is steering if he directs clients to particular neighborhoods that they would feel more comfortable in because of demographics. Steering occurs when a broker or a salesperson only shows or refuses to show homes located in particular areas due to race, color, religion, sex, national origin, familial status, or handicap. Steering is an illegal practice.*

*The other choices are incorrect because the broker is guilty of steering. It is not considered due diligence or performance of duties if the broker is partaking in an illegal practice. Redlining is incorrect because it is an illegal practice that occurs when lenders refuse to lend money in a particular area.*

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7.

Which Title of the Civil Rights Act of 1968 prohibits real estate brokers, builders, and mortgage lenders from discriminating against individuals based on race, color, religion, sex, or national origin?

**Title VIII**

Title VI

Title III

Title VII

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*Correct answer: Title VIII*

*Title VIII of the Civil Rights Act of 1968 prohibits real estate brokers, builders, and mortgage lenders from discriminating against individuals based on race, color, religion, sex, or national origin.*

*Title VI of the Civil Rights Act of 1964 prohibits discrimination by government programs or government agencies that receive federal funds. Title VII of the Civil Rights Act of 1964 prohibits employment discrimination based on race, color, religion, sex, or national origin. Title III of the Civil Rights Act of 1964 prohibits state and municipal governments from denying access to public facilities based on race, color, religion, or national origin.*

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8.

Sam the seller owned two neighboring houses, 5 and 7 Oak Street, in an upscale all-white neighborhood. Suzie the real estate agent met with Sam about selling number 5. Afraid of decreasing the value of number 7, Sam told Suzie that she could have the listing, as long as she didn't market it to "those people who would bring down the value" of number 7. If Suzie took the listing and followed Sam's instructions, what federal law would she be in danger of violating?

**The Civil Rights Act of 1866**

Regulation Z of the Truth in Lending Act (TILA)

The Fair Housing Amendments of 1988 to the Civil Rights Act of 1968

Title VIII of the Civil Rights Act of 1969

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*Correct answer: The Civil Rights Act of 1866*

*If Suzie took the listing and followed Sam's instructions, she would be in danger of violating the Civil Rights Act of 1866, which prohibits discrimination in housing based on race.*

*Regulation Z of the TILA regulates real estate financing. The Fair Housing Amendments of 1988 to the Civil Rights Act of 1968 added the prohibition of discrimination based on sex, handicapped status, and families with children.*

*There is no Civil Rights Act of 1969.*

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9.

Which of the following statements about VA-guaranteed home loans is **not** true?

**The VA will guarantee loans up to \$750,000**

A VA loan may be assumed by a veteran, qualified non-veteran, or by a qualified unremarried surviving spouse

In order for National Guard Members and reservists to be eligible for a VA-guaranteed loan, they must have at least six years of service

Only VA-approved appraisers may appraise homes being financed by VA-insured loans

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*Correct answer: The VA will guarantee loans up to \$750,000*

*It is not true that the VA will guarantee loans up to \$750,000. The VA sets no limit on home loan amounts. However, for loans greater than \$144,000, the VA will only guarantee a maximum of 25% of the county loan limit.*

*The other choices are true.*

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**10.**

A salesperson is showing homes to a middle-class couple with children and the couple asks the salesperson to show them a home in the 900-block area. The salesperson informs the couple that the 900-block area is an exclusive neighborhood for wealthy couples with no children and persuades the couple to look at homes in a different neighborhood. This illegal practice is known as which of the following?

**Steering**

Blockbusting

Redlining

Gatekeeping

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*Correct answer: Steering*

*This is an example of steering, as steering occurs when a broker or a salesperson only shows or refuses to show homes located in particular areas due to race, color, religion, sex, national origin, familial status, or handicap.*

*Blockbusting is incorrect because it occurs when brokers or salespersons try to profit from deliberately causing fear or panic in order to get homeowners to sell their homes at a reduced value so the broker or salesperson may resell them at a higher price.*

*Redlining is incorrect because it is the discriminatory denial of loans or insurance to otherwise qualified people in a specific area based on discriminatory motive.*

*Gatekeeping is incorrect because it is not a term used to describe illegal practices in real estate.*

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11.

Suzie is the exclusive rental agent for Sam's 10-family apartment building. There's a vacancy, and Sam asks Suzie to "give him a rundown" on each potential applicant before she shows them units, saying that he wants to avoid potentially "problem" tenants. Should Suzie comply with Sam's request?

**Yes, so long as she only provides Sam with information such as credit score and income**

No, because doing so would be a potential violation of Fair Housing laws

Yes, so long as she does not reveal the potential applicant's race, religion, or national origin

Yes, because she has a fiduciary obligation to carry out his directions

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*Correct answer: Yes, so long as she only provides Sam with information such as credit score and income*

*So long as she is not disclosing to Sam that an applicant is a member of a protected class or allow him to discriminate based on race, religion, sex, handicapped status, disability or family status, Suzie can provide Sam with a "rundown." Financial status and credit score are not characteristics of a protected class.*

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12.

The true cost of credit is expressed using which of the following?

**Annual percentage rate**

Interest rate

Gross percentage rate

Net percentage rate

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*Correct answer: Annual percentage rate*

*The true cost of credit is expressed as the annual percentage rate (APR). Creditors must disclose the APR in writing during the credit transaction.*

*The other options are incorrect because the true cost of credit is expressed by the APR, not the interest rate, the gross percentage rate, or the net percentage rate.*

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**13.**

The 1988 amendments to the Civil Rights Act of 1866 made changes to the enforcement provisions of the Federal Fair Housing Act of 1968. Among other things, these laws prohibit real estate agents from discriminating against renters, buyers, and sellers on the basis of race, color, religion, or national origin. Penalties imposed on real estate agents and brokers for violating the Act now includes all of the following choices **except**:

**30 days in jail plus up to \$65,000 for five or more offenses within 10 years**

A civil penalty up to \$16,000 for the first offense

A civil penalty up to \$37,500 for the second offense within 5 years

A civil penalty up to \$65,000 for two or more offenses within 7 years

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*Correct answer: 30 days in jail plus up to \$65,000 for five or more offenses within 10 years*

*Penalties imposed on real estate agents and brokers for violating the Act now include all of the other answer options.*

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14.

Jeremy owns a 10-unit apartment complex in which one of the units is available for rent. In which situation may Jeremy refuse to rent the apartment?

**To a married couple unable to afford the monthly rent**

To a married couple with multiple children

To an unmarried couple

To an interracial married couple

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*Correct answer: To a married couple unable to afford the monthly rent*

*Jeremy may refuse to rent the apartment to a married couple unable to afford the monthly rent. Since the married couple are unable to afford the rent, Jeremy is permitted to deny their rental application.*

*The other options are incorrect because they are all examples of discrimination and would go against the Federal Fair Housing Act.*

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15.

All **except** which of the following transactions are exempt from the Truth in Lending Act?

Home equity line of credit

Home-fuel budget plan

Security or commodity account

Business loan

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*Correct answer: Home equity line of credit*

*A home equity line of credit is a consumer loan secured by real property; therefore, it is subject to the Truth in Lending Act. The Truth in Lending Act, or Regulation Z, applies to creditors who offer credit to consumers on a regular basis when the transaction requires more than four payments and if the credit is for personal, family, or household purposes.*

*Home-fuel budget plans, security or commodity accounts, and business loans are all exempt from the Truth in Lending Act.*

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16.

Debbie is selling her house and has enlisted a broker to sell it for her. When writing the listing agreement, Debbie asks the broker to write in that the house can only be sold to individuals who are Catholic. How should the broker move forward?

**The broker should refuse the listing**

The broker should write in the listing agreement that the house may only be sold to a Catholic

The broker should inform Debbie that he will try to only sell the house to a Catholic, but he will not be able to guarantee it

The broker should inform Debbie that he will only show the house to Catholics, but he is not permitted to put it in writing

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*Correct answer: The broker should refuse the listing*

*If a seller of real estate demands that their property only be sold to a particular group of people, the broker should refuse the listing because Fair Housing laws prohibit brokers from partaking in discriminatory practices. Under Title VIII of the Civil Rights Act of 1968, real estate agents and brokers, builders, and mortgage lenders are prohibited from discriminating against protected classes when it relates to selling, renting, inheriting, and conveying real estate.*

*The other options are incorrect because they all involve the broker partaking in discriminatory practices.*

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17.

An apartment building owner knows that, according to the Fair Housing laws, he is not allowed to discriminate against individuals with a handicap. A handicap includes people with which of the following conditions?

**Alcoholism**

Drug addiction

Convicted drug felons

LGBTQ individuals

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*Correct answer: Alcoholism*

*The Fair Housing laws protect individuals with a handicap, and handicap includes individuals with a physical impairment. Therefore, people with alcoholism are considered handicapped.*

*Fair Housing laws do not consider individuals with drug addictions, felony drug convictions, and LGBTQ individuals to be handicapped.*

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18.

Which of the following federal agencies lends money to home buyers in its normal course of business?

**United States Department of Agriculture (USDA)**

Department of Veterans Affairs (VA)

Federal Housing Administration (FHA)

Internal Revenue Service (IRS)

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*Correct answer: United States Department of Agriculture (USDA)*

*The United States Department of Agriculture (USDA) provides rural development loans to help families buy or improve single-family homes in rural areas.*

*The Department of Veterans Affairs offers loan guarantees to qualified veterans. It does not lend money except in certain areas where other financing is not generally available. The FHA insures approved lenders against loss on loans made on new or existing one-to-four family housing. The IRS does not provide home loan assistance.*

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19.

Sam the seller owned a 10-family apartment building in a quiet neighborhood. Suzie the real estate agent met with Sam about renting apartment number 1. Afraid of decreasing the value of the other apartments, Sam told Suzie that she could have the listing so long as she didn't market it to people with kids, because he feared the kids would make too much noise. If Suzie took the listing and followed Sam's instructions, what federal law would she be in danger of violating?

**The Fair Housing Amendments of 1988 to the Civil Rights Act of 1968**

The Civil Rights Act of 1866

The Civil Rights Act of 1968

Regulation Z of the TILA (Truth in Lending Act)

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*Correct answer: The Fair Housing Amendments of 1988 to the Civil Rights Act of 1968*

*If Suzie took the listing and followed Sam's instructions, she would be in danger of violating the The Fair Housing Amendments of 1988 to the Civil Rights Act of 1968. The Fair Housing Amendments of 1988 to the Civil Rights Act of 1968 added the prohibition of discrimination based on sex, handicapped status, and families with children.*

*The Civil Rights Act of 1866 prohibits discrimination in housing based on race. Regulation Z of the TILA regulates real estate financing. The Civil Rights Act of 1968 does not deal with family status.*

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20.

Bryan took out a home equity loan on his current property in order to build an additional garage. How many days does Bryan have to rescind the credit transaction?

3 days

0 days

5 days

7 days

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*Correct answer: 3 days*

*Pursuant to Federal Reserve's Regulation Z of the Truth in Lending Act (TILA), Bryan will have 3 days to rescind the credit transaction. Bryan must rescind the credit transaction in writing.*

*Since the home equity loan is not part of a purchase/sale contract, Bryan will have 3 days to rescind the loan, not 0 days, 5 days, or 7 days.*

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21.

Daisy owns her home and she decides that she wants to take out a home equity line of credit. So, she calls her bank and arranges for one. The loan agent comes to her home and Daisy signs all the paperwork, along with the required disclosures, on Friday. Until when can Daisy decide to rescind the loan?

**Wednesday at midnight**

Monday at midnight

Friday at midnight

She can't rescind the loan once she's signed all the documents, as long as they include the required disclosures

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*Correct answer: Wednesday at midnight*

*Daisy can decide to rescind the loan until Wednesday at midnight because Regulation Z of the Truth in Lending Act gives borrowers the right to rescind a loan until midnight of the third business day after the transaction or until delivery of the disclosure statement, whichever is later.*

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**22.**

Regulation Z applies to which of the following?

**Consumer creditors**

Commercial creditors

Agricultural creditors

Business creditors

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*Correct answer: Consumer creditors*

*Regulation Z applies to consumer creditors. Regulation Z applies to all loans secured by a residence.*

*Regulation Z does not apply to commercial creditors, agricultural creditors, or business creditors.*

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**23.**

The Truth in Lending Act (TILA) does **not** cover which of the following types of real estate credit transactions?

**For business use**

For personal use

For family use

For household improvements

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*Correct answer: For business use*

*The Truth in Lending Act (TILA) does not cover real estate credit transactions for business use.*

*The TILA does cover loans for individuals for all real estate credit transactions for personal, family and household purposes, and for non-real estate credit transactions under \$25,000.*

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24.

Which of the following federal agencies does **not** provide home mortgage assistance?

**Internal Revenue Service (IRS)**

Federal Housing Administration (FHA)

Department of Veterans Affairs (VA)

United States Department of Agriculture (USDA)

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*Correct answer: Internal Revenue Service (IRS)*

*The Internal Revenue Service does not provide home mortgage assistance. The other agencies listed provide either direct loans or insure loans, thus making loans less risky for lenders and thus easier for borrowers to obtain. The FHA insures approved lenders against loss on loans made on new or existing one-to-four family housing. The Department of Veterans Affairs offers loan guarantees to qualified veterans. It does not lend money except in certain areas where other financing is not generally available. The United States Department of Agriculture (USDA) provides rural development loans to help families buy or improve single-family homes in rural areas.*

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25.

A housing community is built before 1978. What must the seller of one of the units provide potential buyers about the contents of his house?

**Lead paint disclosure**

Home warranty

Property inspection report

Air quality report

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*Correct answer: Lead paint disclosure*

*For residential property built before 1978 being sold or leased, the owner must provide the buyer/lessor with a "Protect Your Family from Lead in Your Home" booklet and must be informed if lead-based paint is present in the home.*

*The owner of the housing community must provide the buyer with a home warranty is incorrect. Property inspection report is incorrect. While sellers typically provide buyers with an opportunity to inspect the premises before they buy, a seller is not required to provide buyers or lessors with a property inspection report. Air quality report is also not required and so is incorrect.*

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26.

John is a diabetic who has a medical dog that notifies him when his sugar is getting low. John is in the market for an apartment and found one in a building that does not permit pets. Under the federal Fair Housing Act, which statement is **true**?

**The apartment building owner must lease the apartment to John; however, the owner can request John to pay any damages caused by the dog**

The apartment building owner is not required to lease the apartment to John because the owner does not allow anyone to have pets

The apartment building owner must lease the apartment to John. However, the owner can request a higher security deposit and an increased rent

The apartment building owner must lease the apartment to John and make any necessary alterations to the apartment or building to meet John's needs

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*Correct answer: The apartment building owner must lease the apartment to John; however, the owner can request John to pay any damages caused by the dog*

*The federal Fair Housing Act prohibits restrictions that would prevent a handicapped individual from using necessary aids such as a medical dog. Therefore, the apartment building owner must lease the apartment to John. However, the owner is permitted to charge John for any damages to the building caused by the dog.*

*The other statements are false because the apartment building owner is required to lease the apartment to John, the owner may not increase John's rent or security deposit, and the owner is not responsible for making alterations to the building.*

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27.

A broker discouraged his salespeople from showing clients houses in a particular neighborhood due to its demographics. Under Section 901 of the Civil Rights Act of 1968, the broker may be subject to which of the following?

**A fine up to \$1,000 and up to 1 year in jail**

A fine up to \$1,000

Imprisonment for up to 1 year

A fine up to \$1,000, imprisonment for up to 1 year, and loss of broker's license

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*Correct answer: A fine up to \$1,000 and up to 1 year in jail*

*Any person who discourages others from dealing in real estate due to race, religion, color, sex, national origin, familial status, or handicap may be fined up to \$1,000 and/or imprisoned for up to 1 year.*

*Section 901 of the Civil Rights Act of 1968 does not state that brokers will lose their license to practice if they discourage others from dealing in real estate.*

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28.

Protected classes are based on all **except** which of the following under the Fair Housing Act?

**Sexual preference**

Religion

National origin

Disability

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*Correct answer: Sexual preference*

*Protected classes under the Fair Housing Act are not based on sexual preference.*

*The protected classes under the Fair Housing Act are based on religion, national origin, disability, race, color, sex, and familial status.*

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29.

Andrew has his house up for sale, and his neighbor finds out that a Jewish gentleman is in the process of making an offer to purchase the home. The neighbor does not wish to live by a Jewish man, so he tries to discourage the Jewish gentleman from purchasing the home by threatening the man. The Jewish man ignores the neighbor and makes an offer to purchase the home. The neighbor then gets into a physical fight with the seller in which he breaks the seller's arm and threatens more bodily harm if he agrees to sell the property to the Jewish gentleman. Under Section 901 of the Civil Rights Act of 1968, which statement is **true**?

**The neighbor can be fined up to \$10,000, 10 years in prison, or both**

The neighbor can be fined up to \$1,000, 1 year in prison, or both

The neighbor can be imprisoned for life

The neighbor can be fined up to \$25,000, 5 years in prison, or both

*Correct answer: The neighbor can be fined up to \$10,000, 10 years in prison, or both*

*The Civil Rights Act of 1968 states that an individual who causes bodily injury to individuals dealing with others in housing on account of race, religion, color, sex, national origin, familial status, or handicap can be fined up to \$10,000, 10 years in prison, or both.*

*If the neighbor only discouraged the transaction, he could be fined \$1,000, 1 year in prison, or both. If the neighbor killed an individual partaking in the transaction, he could be imprisoned for life. A \$25,000 fine or 5 years in prison is not a punishment used under the Civil Rights Act of 1968 for the interference of housing transactions.*

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**30.**

After three days, Charlotte decides to rescind her credit transaction for \$20,000. What is Charlotte responsible for?

**Charlotte has no liability**

Charlotte is responsible for 3 days' interest

Charlotte is responsible for a 1% finance charge

Charlotte is responsible for a \$100 cancelation fee

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*Correct answer: Charlotte has no liability*

*A consumer has up to three days to rescind or cancel a credit transaction without being liable for any finance fees or other charges. The consumer must rescind the transaction in writing and the creditor has 20 days after the receipt of the rescission letter to return any money or property given as earnest money to the consumer.*

*The other choices are incorrect because the consumer has no liability when they rescind a credit transaction within three days.*

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31.

What is the **true** intent of the Truth in Lending Act, which is also known as Regulation Z?

**Inform borrowers of the true cost of credit**

Reduce the amount that lenders can lend

Enforce penalties for fraudulent lending activities

Provide the right to rescind credit transactions

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*Correct answer: Inform borrowers of the true cost of credit*

*The true intent of the Truth in Lending Act, or Regulation Z, is to inform borrowers, of all loans used secured by a residence, of the true cost of credit. The true cost of credit is expressed using the annual percentage rate (APR). Creditors must disclose the APR in writing during the credit transaction. The act does not cover commercial or agricultural loans over \$25,000.*

*Regulation Z does not reduce the amount that lenders can lend. Regulation Z does enforce penalties for fraudulent lending activities, and it provides borrowers the right to rescind credit transactions; however, those options are not the true intent of the act.*

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32.

Daisy owns her home and she decides that she wants to take out a home equity line of credit. So, she calls her bank and arranges for one. The loan agent comes to her home and Daisy signs all the paperwork, along with the required disclosures, on Friday. What must be included in the required disclosure documents?

**All finance charges and the true Annualized Percentage Rate (APR)**

Fees for appraisal, title, the credit report, property survey, lawyer's fees

The total interest payable over the life of the loan

Only the Annualized Percentage Rate (APR)

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*Correct answer: All finance charges and the true Annualized Percentage Rate (APR)*

*All finance charges and the true Annualized Percentage Rate (APR) must be included in the required disclosure documents. Under Regulation Z, a lender must disclose all finance charges as well as the true Annualized Percentage Rate (APR) in advance of closing.*

*A lender does not have to show the total interest payable over the loan term or include fees for appraisal, title, credit report, survey, or legal work. Disclosures must be distinctly presented in writing.*

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**33.**

The first law that was passed to prohibit the racial discrimination in public and private housing was passed in which year?

**1866**

1968

1898

1992

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*Correct answer: 1866*

*The first law that was passed to prohibit the racial discrimination in public and private housing was passed in 1866. In 1866, a civil rights law was passed that prohibited all racial discrimination in housing; however, this 1866 law did not prohibit discrimination against religion, sex, national origin, familial status, or handicap.*

*The other choices are incorrect because the first law to prohibit racial discrimination in housing was passed in 1866, not 1898, 1968, or 1992.*

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**34.**

Which of the following is covered by the Truth in Lending Act?

**Personal loans under \$25,000**

Real estate credit transactions for first time home purchases

Loan to build a home

Small business real estate loans

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*Correct answer: Personal loans under \$25,000*

*Personal loans under \$25,000 are covered by the Truth in Lending Act (TILA).*

*All other choices are not covered by the TILA.*

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**35.**

When looking for a house to buy, Sheila reads the following advertisement: "3 bedrooms, 2 bathrooms, 1,800-square-foot home located in a Hispanic neighborhood in the Rockwell School District." This advertisement breaks which of the following laws?

**Federal Fair Housing Act**

Americans with Disabilities Act

Residential Landlord and Tenant Act

Social Housing Reform Act

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*Correct answer: Federal Fair Housing Act*

*The advertisement goes against the laws written in the Federal Fair Housing Act. The Federal Fair Housing Act states that a broker cannot describe the racial composition of the neighborhood within which a house resides because it violates the principal against "steering" which is the practice of directly or indirectly channeling customers toward or away from homes and neighborhoods. The Federal Fair Housing Act is part of the Civil Rights Act of 1968.*

*The other choices are incorrect because they are not laws that prohibit discrimination against advertisements regarding the racial composition of neighborhoods.*

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**36.**

Existing businesses with how many employees must meet the Americans with Disabilities Act?

**15 or more**

10 or more

8 or more

21 or more

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*Correct answer: 15 or more*

*Existing businesses with 15 or more employees must meet the Americans with Disabilities Act (ADA). The ADA was passed in 1992 to prevent discrimination against individuals with disabilities and to broaden their access to public services.*

*The other choices are incorrect because existing businesses with 15 or more employees must comply with the ADA, not 8 or more, 10 or more, or 21 or more.*

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37.

If creditors willfully disobey Regulation Z and are convicted of criminal action, they may be subject to which of the following?

**Fines up to \$5,000 or imprisonment for up to a year or both**

Fines up to \$10,000 and imprisonment for up to five years

Fines up to \$25,000 and imprisonment for up to ten years

Fines up to \$50,000 and imprisonment for life

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*Correct answer: Fines up to \$5,000 or imprisonment for up to a year or both*

*If creditors willfully disobey Regulation Z and are convicted of criminal action, they may be subject to fines up to \$5,000 or imprisonment for up to a year or both.*

*Regulation Z requires consumer creditors to disclose the following before closing and in writing: identity of creditor, amount financed, itemized amount financed, finance charges, the true annual percentage rate (APR), payment schedule including the amount and number, total of payments, and prepayment privileges and penalties.*

*The other choices are incorrect because the criminal charges under Regulation Z allow for fines up to \$5,000, not \$10,000, \$25,000, or \$50,000, and it allows for imprisonment for up to a year, not five years, ten years, or for life.*

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38.

Which of the following statements about VA-guaranteed home loans is **not** true?

**In order for National Guard Members and reservists to be eligible for a VA-guaranteed loan, they must have at least thirty-six consecutive months of service**

A VA loan may be assumed by a veteran, qualified non-veteran, or by a qualified unremarried surviving spouse

Only VA-approved appraisers may appraise homes being financed by VA-insured loans

VA sets no limit on home loan amounts

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*Correct answer: In order for National Guard Members and reservists to be eligible for a VA-guaranteed loan, they must have at least thirty-six consecutive months of service*

*It is not true that in order for National Guard Members and reservists to be eligible for a VA-guaranteed loan, they must have at least thirty-six consecutive months of service. In order for National Guard Members and reservists to be eligible for a VA-guaranteed loan, they must have at least six years of service.*

*The other choices are true.*

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**39.**

Which of the following federal agencies insures approved lenders against loss on loans made on new or existing one-to-four family housing?

**Federal Housing Administration (FHA)**

Internal Revenue Service (IRS)

Department of Veterans Affairs (VA)

United States Department of Agriculture (USDA)

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*Correct answer: Federal Housing Administration (FHA)*

*The Federal Housing Administration (FHA) insures approved lenders against loss on loans made on new or existing one-to-four family housing.*

*The United States Department of Agriculture (USDA) provides rural development loans to help families buy or improve single-family homes in rural areas. The Department of Veterans Affairs (VA) offers loan guarantees to qualified veterans. It does not lend money except in certain areas where other financing is not generally available. The IRS does not provide home loan assistance.*

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40.

Suzie is the exclusive rental agent for Sam's 10-family apartment building. There's a vacancy, and Sam asks Suzie to "give him a rundown" on each potential applicant before she shows them units, saying that he wants to avoid potentially "problem" tenants. Alan wants to see the apartment and discloses to Suzie that he's been diagnosed as a cocaine addict. Should Suzie comply with Sam's request about Alan?

**It depends on whether Alan is being treated for his addiction and whether he's still currently addicted**

No, because diagnosed drug addicts are members of a protected class under the 1988 amendment to the Civil Rights Act of 1866

Yes, because Sam has a right to know if a drug addict is in his building

Yes, but she should tell Sam verbally, not in writing

---

*Correct answer: It depends on whether Alan is being treated for his addiction and whether he's still currently addicted*

*Whether Suzie should comply with Sam's request about Alan depends on whether Alan is being treated for his addiction and whether he's still currently addicted. Alcoholics and drug addicts who have been diagnosed, treated, and are not currently addicted are protected under the federal fair housing laws because their addictions are considered to be disabilities. As a result, we need more information on whether Alan has been treated and is currently addicted in order to answer the question.*

---

41.

In which of the following situations may an owner or lessor refuse to sell or lease to someone?

**When an individual is not economically qualified**

When an individual has a service dog

When an individual has children

When an individual has a European national origin

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*Correct answer: When an individual is not economically qualified*

*An owner or lessor may refuse to sell or lease to someone if the individual is not economically qualified. This means that the individual does not have the financial means necessary to buy or lease a property.*

*An owner or lessor may not refuse to sell or lease to an individual who has a service dog, who has children, or who has a European national origin, because Fair Housing laws prohibit discrimination based on race, color, sex, national origin, familial status, or handicap.*

---

42.

In 2000, John constructed a new multifamily building with three units. Which statement is **true**?

**John is not subject to the 1988 new construction amendment of the Fair Housing Act**

John must install an elevator large enough for wheelchair access

John must reinforce all bathroom walls to allow the installation of grab rails

John must make all doors and hallways wide enough for the passage of wheelchairs

---

*Correct answer: John is not subject to the 1988 new construction amendment of the Fair Housing Act*

*It is true that John is not subject to the 1988 new construction amendment of the Fair Housing Act because the amendment is for multifamily units that contain four or more units and John's newly constructed building only has three units.*

*The other statements are false in regard to John's newly constructed three-unit multifamily building because it is not subject to the 1988 amendments of the Fair Housing Act. The 1988 amendments of the Fair Housing Act states that if a multifamily building with four or more units has an elevator, the elevator must be able to access 100% of the units, that the bathroom walls must be reinforced to allow the installation of grab rails, and that all doors and hallways must be wide enough for the passage of wheelchairs.*

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**43.**

When the Secretary of the Department of Housing and Urban Development is notified in writing of an alleged discrimination housing practice, which of the following conducts the litigation?

**Attorney General**

Inspector General

Surgeon General

Solicitor General

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*Correct answer: Attorney General*

*When the Secretary of the Department of Housing and Urban Development is notified in writing of an alleged discrimination housing practice, the Attorney General's office will conduct the litigation. Any individual who feels he or she has been injured by a discriminatory housing practice may file a complaint with the Secretary of the Department of Housing and Urban Development. The complaint must be filed within one year of the incident, must be in writing, and must contain specific details of the alleged discrimination.*

*The other options are incorrect because the Attorney General conducts litigation for alleged discrimination housing practices, not the Inspector General, Surgeon General, or Solicitor General.*

---

44.

The Federal Housing Administration(FHA) insures approved lenders against loss on loans made on new or existing one-to-four family housing. Which of the following is **true** of FHA insured loans?

**A borrower who gets an FHA insured loan must finance an FHA insurance premium of 1.75% of the loan amount as part of the loan**

A borrower who gets an FHA insurance loan can finance the monthly 1.35% MIP (Mortgage Insurance Premium)

Any licensed appraiser may appraise a home for an FHA-insured mortgage

Any buyer may assume an FHA loan

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*Correct answer: A borrower who gets an FHA insured loan must finance an FHA insurance premium of 1.75% of the loan amount as part of the loan*

*It is true that a borrower who gets an FHA insured loan must finance an FHA insurance premium of 1.75% of the loan amount as part of the loan.*

*Interest rates for FHA insured loans float on the open market. A borrower who gets an FHA insurance loan must pay a monthly Mortgage Insurance Premium of 1.35% of the loan. Only FHA-approved appraisers may appraise homes being financed by FHA-insured loans. FHA-insured loans are assumable, provided the assuming party qualifies.*

---

45.

Which federal law prohibits discrimination against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age or dependency on public assistance?

**Equal Credit Opportunity Act**

Title VIII of the Civil Rights Act of 1964

Title III of the Civil Rights Act of 1964

Title VII of the Civil Rights Act of 1964

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*Correct answer: Equal Credit Opportunity Act*

*Equal Credit Opportunity Act prohibits discrimination against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age or dependency on public assistance.*

*Title VIII of the Civil Rights Act of 1964 prohibits real estate brokers, builders, and mortgage lenders from discriminating against individuals based on race, color, religion, sex, or national origin. Title VII of the Civil Rights Act of 1964 prohibits employment discrimination based on race, color, religion, sex, or national origin. Title III of the Civil Rights Act of 1964 prohibits state and municipal governments from denying access to public facilities based on race, color, religion, or national origin.*

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46.

Which of the following federal agencies facilitates the purchase of a four-family home in its normal course of business?

**Federal Housing Administration (FHA)**

Department of Veterans Affairs (VA)

Internal Revenue Service (IRS)

United States Department of Agriculture (USDA)

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*Correct answer: Federal Housing Administration (FHA)*

*The Federal Housing Administration (FHA) insures approved lenders against loss on loans made on new or existing one-to-four family housing.*

*The United States Department of Agriculture (USDA) provides rural development loans to help families buy or improve single-family homes in rural areas. The Department of Veterans Affairs offers loan guarantees to qualified veterans. It does not lend money except in certain areas where other financing is not generally available. The IRS does not provide home loan assistance.*

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47.

All **except** which of the following are disclosures that the Truth in Lending Act requires in a disclosure statement?

**Mortgage resale limitations**

Annual percentage rate

Payment schedule, amounts, and number

Prepayment penalties

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*Correct answer: Mortgage resale limitations*

*The Truth in Lending Act does not require mortgage resale limitations to be disclosed in a disclosure statement before closing the loan.*

*The Truth in Lending Act does require the annual percentage rate; the payment schedule, amounts, and number; and the prepayment penalties to be disclosed in a disclosure statement at least three days before the loan's closing. Other disclosures that are required include the identity of creditors, the amount financed, the itemized amount financed, the finance charges, and the total of payments.*

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48.

The American with Disabilities Act of 1992 applies to all **except** which of the following?

**Single-family homes**

Businesses with 15 or more employees

New constructions that serve the public

New multi-family constructions with four or more units

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*Correct answer: Single-family homes*

*Single-family homes are exempt from the American with Disabilities Act of 1992.*

*The American with Disabilities Act (ADA) of 1992 applies to businesses with 15 or more employees, new constructions that serve the public, and new multi-family constructions with four or more units. The ADA of 1992 was passed in order to help accommodate individuals with disabilities and to provide provisions to address discrimination in the workplace.*

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**49.**

A broker holds a community meeting and announces a new drug cartel is moving into the neighborhood and that homeowners should sell their homes and move out of the area. The broker offers to buy each home at below market value in order to help the families move out of the dangerous neighborhood. Families accept the offer and sell to the broker. Then, the broker turns around and sells the homes to members of the drug cartel at higher prices. This illegal practice is known as which of the following?

**Blockbusting**

Steering

Redlining

Gatekeeping

*Correct answer: Blockbusting*

*This is an example of blockbusting. Blockbusting occurs when brokers or salespersons try to profit from deliberately causing fear or panic in order to get homeowners to sell their homes at a reduced prices so the broker/salesperson may resell them at higher prices.*

*Steering is incorrect because it occurs when a broker or a salesperson only shows or refuses to show homes located in particular areas due to the buyer's race, color, religion, sex, national origin, familial status, or handicap. Redlining is incorrect because it occurs when lenders refuse to lend money to borrowers purchasing homes in a particular area. Gatekeeping is incorrect because it is not a term used to describe illegal practices in real estate.*

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50.

Which of the following federal agencies loans farmers money to renovate their homes?

**United States Department of Agriculture (USDA)**

Internal Revenue Service (IRS)

Federal Housing Administration (FHA)

Department of Veterans Affairs (VA)

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*Correct answer: United States Department of Agriculture (USDA)*

*The United States Department of Agriculture (USDA) provides rural development loans to help families buy or improve single-family homes in rural areas.*

*The Federal Housing Administration (FHA) insures approved lenders against loss on loans made on new or existing one-to-four family housing. The Department of Veterans Affairs (VA) offers loan guarantees to qualified veterans. It does not lend money except in certain areas where other financing is not generally available. The IRS does not provide home loan assistance.*

---

51.

The FHA insures approved lenders against loss on loans made on new or existing one-to-four family housing. Which of the following is **true** of FHA-insured loans?

**FHA-insured loans have no prepayment penalty**

Any buyer may assume an FHA loan

Any licensed appraiser may appraise a home for an FHA-insured mortgage

FHA-insured loans have prepayment penalties

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*Correct answer: FHA-insured loans have no prepayment penalty*

*It is true that FHA-insured loans have no prepayment penalty.*

*Only FHA approved appraisers may appraise homes being financed by FHA-insured loans. FHA-insured loans are assumable, provided the assuming party qualifies.*

---

**52.**

The Department of Veterans Affairs guarantees which of the following types of home loans?

**Loans without prepayment penalties**

Loans to reservists with six years of service

Loans to National Guard Members with at least 70 months of services

Loans to remarried surviving spouses of veterans

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*Correct answer: Loans without prepayment penalties*

*The VA does not allow loans that it guarantees to have prepayment penalties. A VA loan may be assumed by a veteran, qualified non-veteran, or by a qualified unremarried surviving spouse. National Guard Members and reservists with at least six years of service are eligible for VA-guaranteed loans.*

---

**53.**

The United Methodist Church has invested in several rental houses in its neighborhood. According to the Fair Housing laws, the church may advertise in which of the following manners?

**Church members only**

Families with children only

Females only

Black Americans only

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*Correct answer: Church members only*

*The Fair Housing laws do permit churches that invest in rental units to require renters to be members of the church; however, the church is not permitted to discriminate based on race, color, sex, national origin, familial status, or handicap.*

*The other choices are incorrect because the Fair Housing laws do not permit a church to discriminate and allow only families with children, females, or black Americans.*

---

**54.**

Adam signed a purchase contract for real estate and closed on the mortgage loan for his home today. Under federal law, how many days does Adam have to rescind the credit transaction?

**0 days**

3 days

5 days

7 days

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*Correct answer: 0 days*

*Adam does not have the right to rescind the credit transaction on his primary residence, because the right of rescission does not apply to residential mortgage transactions—those used to finance the purchase or construction of the borrower's primary residence.*

*When there is no purchase/sale contract on real estate, the borrower would have three days to rescind the credit transaction. The other choices are incorrect because a borrower would not have five days or seven days to rescind a credit transaction.*

---

**55.**

The “finance charge” for real property credit transactions **must** include which of the following?

**The dollar amount the credit will cost**

The dollar amount the title exam will cost

The dollar amount the title insurance will cost

The dollar amount the appraisal will cost

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*Correct answer: The dollar amount the credit will cost*

*The “finance charge” for real property credit transactions must include the dollar amount the credit will cost.*

*Regulation Z allows for some exemptions in residential mortgage transactions, which provides for the exclusion of the dollar amounts for title exams, title insurance, credit report, survey report, legal work and appraisal costs from the “finance charge” for real property.*

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# A. Fundamentals of Real Estate Law

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A. Fundamentals of Real Estate Law

56.

What kind of lease is a lease in which the tenant pays rent, plus real estate taxes, maintenance costs and utilities?

**Net lease**

Gross lease

Ground lease

Percentage lease

---

*Correct answer: Net lease*

*A net lease is a lease under which the tenant pays rent, plus real estate taxes, maintenance costs and utilities.*

*A percentage lease is one in which the rent for a retail tenant is based in part on percentage of gross sales. A gross or fixed lease is a traditional residential lease under which the tenant pays rent and the landlord pays the operating expenses, such as maintenance, real estate taxes, and other public charges such as water and sewer. A ground lease is one under which the tenant leases the raw land and builds a building upon it.*

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57.

Disclosure by sellers and/or real estate agents of which of the following substances is **not** required by the federal government?

**Carbon monoxide**

Lead paint

Reasonably apparent property defects

Mold

---

*Correct answer: Carbon monoxide*

*While carbon monoxide is potentially present in all homes if there is a defect in the heating system or stove, and its existence is deadly, there is no affirmative duty to disclose its existence.*

*Lead paint must be disclosed by sellers and real estate agents with knowledge of its existence. Reasonably apparent property defects must be disclosed if the seller or agent are aware of them. Mold is an organism found in nature and in homes that may cause allergic reactions and other negative health consequences to people who inhale it in their homes.*

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**58.**

Jenny recently passed away. In her will, she left her husband, Steve, the right to use, occupy, and enjoy her real estate until he passes away. Once Steve passes away, the real estate will become the property of their children, John and Diane, who will co-own the real estate without survivorship.

What type of estate did Jenny have?

**Life estate**

Inheritable estate

Fee simple estate

Nonfreehold estate

---

*Correct answer: Life estate*

*Jenny had a life estate because Steve has the right to use, occupy, and enjoy the real estate while he is alive, but once he passes away, the ownership of the real estate goes to John and Diane. A life estate may not be inherited by the life tenant. Here, Steve, the life tenant, has the right to use to real estate until it is passed on to the remaindermen (John and Diane).*

*Inheritable estate is incorrect because Steve did not inherit the real estate from his wife, Jenny, because ownership interests in life estates are limited to the lifetime of the life tenant (Jenny) and thus cannot be inherited. Fee simple estate is incorrect because a fee simple estate is an inheritable estate that provides the owner with absolute ownership rights to the real estate that may be inherited. Steve did not inherit absolute rights to the real estate. Nonfreehold estate is incorrect because a nonfreehold estate is an estate that has a preset termination date. Since Steve has the right to use the property until he passes away, the termination date is unknown, which makes it a freehold estate.*

---

59.

A broker protection clause protects a listing broker under what circumstance?

**When a buyer who saw the property during the listing agreement returns to buy the property after the expiration of the listing agreement**

Holds the broker harmless in the event than someone trips and falls during a showing

Protects the broker from liability if he fails to disclosure the existence of an underground storage tank on the premises

Protects the broker from having to co-broke with another broker

---

*Correct answer: When a buyer who saw the property during the listing agreement returns to buy the property after the expiration of the listing agreement*

*A broker protection clause protects a listing broker when a buyer who saw the property during the listing agreement returns to buy the property after the expiration of the listing agreement.*

*The other options are incorrect.*

---

60.

Adam passed away without a will and without heirs, so the state took ownership of Adam's real estate. This is known as which of the following?

**Escheat**

Intestate succession

Eminent domain

Homestead

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*Correct answer: Escheat*

*When an individual passes away without a will or without heirs, his/her real estate escheats to the state.*

*Intestate succession is incorrect because it occurs when an individual passes away without a will but has an heir who is given the decedent's real estate. Eminent domain is incorrect because it refers to the government's right to take private property for public use. Homestead is incorrect because it refers to the protection of a family's primary residence from creditors.*

---

61.

David has given Roger the right to hunt on his property for one week. What is this right known as?

License

Interest

Prescriptive

Freehold

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*Correct answer: License*

*David has given Roger a license to hunt on his property for one week. A license is the right to use someone's land for a special purpose.*

*Interest is incorrect because it is when one owns the right to use land. Prescriptive is incorrect because it refers to an easement that is granted through adverse possession. Freehold is incorrect because it is when one has the right to use real estate without a predetermined termination date.*

---

62.

In most jurisdictions, unless it states otherwise in the listing agreement, when is a broker's fee of a residential sale due?

**When the broker produces a ready, willing and able buyer at the listing price**

Upon closing

After the buyer's funds clear the seller's bank

When the buyer records the deed

---

*Correct answer: When the broker produces a ready, willing and able buyer at the listing price*

*In most jurisdictions, a broker's fee of a residential sale is due when the broker produces a ready, willing and able buyer at the listing price. In this case, the broker's fee is due whether or not the sale occurs.*

*Unless otherwise stated in the listing agreement, the other answers are incorrect.*

---

63.

A contractor built a garage for a landowner who has yet to pay for the work completed. What type of lien may the contractor place against the property?

**Mechanic's lien**

Mortgage lien

Contractor's lien

Tax lien

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*Correct answer: Mechanic's lien*

*A contractor may put a mechanic's lien against a piece of real estate when the landowner hasn't paid for services rendered by the contractor.*

*A mortgage lien is incorrect because it is a lien placed on real estate by a financial institute that has given the landowner money to finance the purchase of the real estate. Tax lien is incorrect because it is a lien placed on real estate by the county for property taxes owed on the real estate. Contractor's lien is incorrect because a contractor would use a mechanic's lien to place a lien on real estate.*

---



64.

Organization X owns the land that Organization Y has built medical buildings on. What is this arrangement known as?

**Ground lease**

Common property

Cooperative

Restrictive covenant

---

*Correct answer: Ground lease*

*Organization Y has a ground lease with Organization X. A ground lease is when an individual or entity leases land from a landowner. The most common circumstances for a ground lease are when (1) the lessor who farms or mines the land without owning the land or (2) when lessee builds on the land but does not buy the land.*

*Common property is incorrect because it refers to property that is shared by others, such as recreational facilities or elevators. Cooperative is incorrect because it is when real estate is owned by a cooperative corporation and individuals own shares to the real estate, instead of an actual unit. Restrictive covenant is incorrect because it is when a group of neighbors all agree to do or not to do something in order to benefit the entire neighborhood.*

---

65.

Which of the following **best** describes real property?

**Land and anything that is permanently affixed to it**

Land and structures

Land

Land and anything growing on it

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*Correct answer: Land and anything that is permanently affixed to it*

*Real property is best defined as land and anything that is permanently affixed to it.*

*Real estate includes the land, anything that is growing on the land, structures that have been built on the land, and any fixtures that have been affixed to the land itself or the structures that have been built.*

---

66.

Nicole inherited real estate under the terms of her mother's will. What is Nicole?

Devisee

Remainderman

Life tenant

Escheat

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*Correct answer: Devisee*

*Nicole is considered a devisee. A devisee is an individual who inherits a land estate under a devise or will.*

*Remainderman is incorrect because it refers to the individual who will acquire ownership of real estate once the life tenant passes away. Life tenant is incorrect because it refers to the individual who has the right to use, enjoy, and occupy the real estate while they are alive. Escheat is incorrect because it refers to the process in which the government gains the right to property due to someone passing away without a will or an heir.*

---

67.

When a buyer or renter has a buyer/renter's broker representing him in a transaction, who usually pays the broker's fee to the byer's/renter's broker?

**Seller**

The buyer and seller split the commission 50-50

Buyer

The MLS mandates that buyer's broker's receive a 2% commission

---

*Correct answer: Seller*

*When a buyer has a buyer's broker representing him in a transaction, the seller usually pays the broker's fee to the seller's broker, who then splits the commission between herself and the buyer's broker. While this practice is most common in real estate transactions, it is not mandated and may be changed by agreement between the agents and/or between the buyer and their agent.*

*The other answers are incorrect.*

---

68.

If a landowner refuses to negotiate with the government in the event that the government wants to take the property pursuant to eminent domain, the government has the right to do which of the following?

**Condemn the affected land**

Sue the landowner

Arrest the landowner

Sell the affected land

---

*Correct answer: Condemn the affected land*

*If a landowner refuses to negotiate with the government during an eminent domain situation, the government has the right to condemn the affected land. Eminent domain gives the government the right to acquire privately owned property in order to build something for public use. In an eminent domain situation, the government cannot just seize the needed property, it must pay the landowner for the real estate.*

*The government does not have the right to sue the landowner. However, the landowner has the right to sue the government for high compensation. In an eminent domain situation, the government does not have the right to arrest the landowner or sell the affected land.*

---

**69.**

Jenny recently passed away and, in her will, she left her husband Steve the right to use, occupy, and enjoy her real estate until he passes away. Once Steve passes away, the real estate will become the property of their children, John and Diane, whom will co-own the real estate without survivorship.

John and Diane are known as which of the following?

**Remainderman**

Life tenant

Riparian

Joint tenant

---

*Correct answer: Remainderman*

*John and Diane are known as the remainderman. Remainderman is the term used to refer to the individual(s) who will acquire ownership of real estate once the life tenant passes away.*

*Life tenant is incorrect because it refers to the individual who has the right to use, enjoy, and occupy the real estate while they are alive (Steve). Riparian is incorrect because it refers to a system for allocating water rights among those who possess land along the water's path, such as a river or lake. Joint tenant is incorrect because it refers to joint ownership that is automatically passed on to the survivor.*

---

70.

Which one of the following methods is **not** a traditional method of paying a buyer's broker?

**Paying the listing broker the difference between the asking price and the sales price of the property purchased**

Retainer fee

Flat fee

Hourly fee

---

*Correct answer: Paying the listing broker the difference between the asking price and the sales price of the property purchased*

*Paying the listing broker the difference between the asking price and the sales price of the property purchased is not a traditional method of compensating a buyer's broker. While this method is similar to a net listing agreement (where the seller's broker gets to keep any portion of the sales price that exceeds the listing price), it is different, because here, the interests of the buyer's broker and buyer's agent are aligned.*

*Retainer fee, flat fee, and hourly fee are all traditional methods of compensating buyer's brokers.*

---

71.

Under what type of real estate sales listing does the real estate broker get paid a commission regardless of who sells the property during the term of the agreement?

**An exclusive right-to-sell listing agreement**

Exclusive agency agreement

Open listing agreement

Term listing agreement

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*Correct answer: An exclusive right-to-sell listing agreement*

*An exclusive right-to-sell agreement is a real estate listing agreement where the owner gives one brokerage the sole right to market and sell the property. While the owner may still sell the property privately or through another broker, the listing broker will be due his full commission when the property sells, whether or not he brought the buyer and/or was instrumental in the sale.*

*Exclusive agency agreement and open listing agreement are incorrect because, in both cases, if the seller sells the property privately, the listing broker is not entitled to a commission. There is no such thing as a term listing agreement.*

---



72.

In what type of lease does the tenant typically build a building on the premises?

**Ground lease**

Net lease

Percentage lease

Gross lease

---

*Correct answer: Ground lease*

*In a ground lease, the tenant rents the raw land and builds a structure on the land.*

*A net lease is one under which the tenant pays rent, plus real estate taxes, maintenance costs and utilities. A percentage lease is one in which the rent for a retail tenant is based in part on percentage of gross sales. A gross or fixed lease is a traditional residential lease under which the tenant pays rent and the landlord pays the operating expenses, such as maintenance, real estate taxes and other public charges, such as water and sewer.*

---

73.

Which of the following is **not** an essential element of a valid real estate contract?

Date

Competent parties

Meeting of the minds

Consideration

---

*Correct answer: Date*

*A date, while including one is advisable and may be necessary for enforcement purposes, is not an essential element of a contract.*

*A contract must be between competent parties—people of legal age and mental competence. Meeting of the minds, also known as offer and acceptance, must occur. Consideration—the act of each party giving or giving up something to the other party — is a necessary element.*

---

**74.**

Bryan has given his brother-in-law, Gene, the right to live in a house that Bryan owns until the death of his sister, Brittany. This is known as which of the following?

**Life estate *pur autre vie***

Life estate

Tenancy by entirety

Tenancy at severalty

---

*Correct answer: Life estate pur autre vie*

*The brother-in-law, Gene, has a life estate pur autre vie. A life estate pur autre vie is a form of ownership that grants an individual the right to use and enjoy real estate until a named individual, who is not him or herself, passes away.*

*A life estate is incorrect because it is a form of ownership granting an individual the right to use and enjoy real estate during his lifetime. Tenancy in severalty is incorrect because it is used to refer to ownership by one individual or by one entity. Tenancy by entirety is incorrect because it is used to refer to joint ownership between a husband and wife and includes right to survivorship.*

---

75.

Neighboring landowners agree not to use their lots for more than one single-family dwelling on their respective parcels. This is an example of which of the following?

**Restrictive covenant**

Riparian

Constructive notice

Easement

---

*Correct answer: Restrictive covenant*

*A restrictive covenant is when neighboring landowners agree to do or not to do something for the good of the entire neighborhood. An example of restrictive covenant is when neighboring landowners agree that they will not be building anything other than a single-family dwelling on their respective parcels.*

*Riparian is incorrect because it refers to land that borders a body of water. Constructive notice is incorrect because it refers to public records that anyone has access to. Easement is incorrect because it refers to the right of one landowner to use another landowner's land for a particular reason.*

---

76.

If Joe maintains sole ownership to real estate, what does he have?

**Tenancy in severalty**

Tenancy in common

Joint tenancy

Tenancy by the entirety

---

*Correct answer: Tenancy in severalty*

*If Joe maintains sole ownership to real estate, he would have tenancy in severalty. Tenancy in severalty refers to ownership by one individual or by one entity.*

*Tenancy by the entirety is incorrect because it refers to joint ownership between a husband and wife and it has survivorship. Tenancy in common is incorrect because it refers to co-ownership between multiple individuals without survivorship rights. Joint tenancy is incorrect because it refers to joint ownership, and when one owner passes away, the remaining owners inherit a portion of the decedent's rights.*

---

77.

All **except** which of the following are considered permanent attachments to land?

**A stack of firewood**

A planted rose bush

A dining room chandelier

A wooden fence

---

*Correct answer: A stack of firewood*

*When personal property is permanently attached to a structure or land, by means of bolts, screws, nails, cement, glue or other permanent attachment, it becomes a fixture which is part of the real estate. At the time real property is sold, fixtures are automatically included in the sales price unless specifically excluded.*

*A stack of firewood is personal property because it is not permanently attached to the structure or the land. It is not included in the home's sale price. However, when that lumber is nailed or bolted together to become a fence, the wood fence is a fixture attached to the land and is included in the sale.*

*A planted rose bush, a dining room chandelier, and a wooden fence would all be considered permanent attachments to land and they all would be considered real estate.*

---

78.

In order to reach their house, the Jones have a permanent right-of-way across their neighbor's property. What does the Jones family own?

**An easement**

A lien

A riparian

An avulsion

---

*Correct answer: An easement*

*The Jones family owns an easement that provides them with a permanent right-of-way across their neighbor's property. An easement is one landowner's right to use another landowner's land for a specific purpose.*

*A lien is incorrect because it is the term used to describe a claim that is put against the property owner. A riparian is incorrect because it is the term used to describe land bounding a body of water. An avulsion is incorrect because it is the term used to describe the sudden removal of land due to soil loss.*

---

79.

Realty, or real estate, is land and anything permanently attached to it. Realty would include all **except** which of the following?

Bricks

Trees

Walls

Driveways

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*Correct answer: Bricks*

*Bricks are personalty, or personal property, while they are just bricks. However, once the bricks are mortared into a wall or used as part of the permanent landscaping, they become realty.*

*Realty is the rights to use real estate property. Realty includes items affixed to the real estate. Trees, walls, and driveways are all examples of realty.*

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80.

Which form of ownership is only recognized in nine states?

**Community property**

Joint tenancy

Tenancy by the entirety

Fee simple

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*Correct answer: Community property*

*Community property is a form of ownership only recognized in nine states. This type of ownership states that any property obtained during marriage is equally owned by the two spouses; however, any property obtained prior to the marriage remains separate. The nine states that recognize community property are Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin.*

*Joint tenancy and fee simple are permitted in almost all states. Tenancy by the entirety is permitted in about half of the states.*

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81.

What is a necessary precondition to being able to use electronic signatures to create a binding and legally enforceable real estate listing agreement?

**The parties consenting electronically to using e-sign**

When the parties physically sign an e-sign consent form

When the listing agreement contains an e-sign clause pursuant to the UETA

It depends, because each state has different laws

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*Correct answer: The parties consenting electronically to using e-sign*

*For an agreement containing electronic signatures to be legally binding and enforceable, both parties must consent to electronically to an e-sign disclosure in compliance with the federal Electronic Signatures in Global and National Commerce Act (E-Sign) and the Uniform Electronic Transactions Act (UETA).*

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**82.**

Gary's land is bound to a lake that has dried over time. Since the lake has dried, Gary has gained an additional fifty feet of land. What term is used to describe this occurrence?

**Accretion**

Avulsion

Erosion

Riparian

*Correct answer: Accretion*

*Accretion refers to land that has naturally increased over time. Accretion can occur when a lake dries and provides additional land to the touching property.*

*Avulsion is incorrect because it refers to a loss of soil from a sudden change in a watercourse. Erosion is incorrect because it refers to land that is wearing away through a natural process. Riparian is incorrect because it refers to land that is bound by water, such as a river or lake.*

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**83.**

Jenny recently passed away and, in her will, she left her husband, Steve, the right to use, occupy, and enjoy her real estate until he passes away. Once Steve passes away, the real estate will become the property of their children, John and Diane, whom will co-own the real estate without survivorship.

Which of the following **best** describes what Steve is?

**A life tenant**

A tenant in severalty

A tenant in common

A joint tenant

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*Correct answer: A life tenant*

*Steve is a life tenant because he has the right to use, occupy, and enjoy the real estate while he is alive, but once he passes away, the property is automatically passed on to John and Diane.*

*A tenant in severalty is incorrect because it is used to refer to ownership by one individual or by one entity. A tenant in common is incorrect because it refers to co-ownership between multiple individuals without rights of survivorship. A joint tenant is incorrect because it refers to joint ownership, under which, upon the death of one owner, the remaining owners inherit a portion of the decedent's rights.*

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84.

Which of the following **best** describes a freehold estate?

**The right to use real estate without a known termination date**

The right to use real estate until a certain date

The right to use real estate for a special purpose only

The right to use and do whatever one wants to with the real estate

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*Correct answer: The right to use real estate without a known termination date*

*A freehold estate is one in which the individual has the right to use the real estate without a termination date. A freehold estate can be inheritable or noninheritable.*

*The right to use real estate until a certain date best describes a nonfreehold estate. The right to use real estate for a special purpose best describes a license. The right to use and do whatever one wants to with the real estate best describes a fee simple.*

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85.

Which of the following **best** describes a nonfreehold estate?

**The right to use real estate until a certain date**

The right to use real estate without a known termination date

The right to use real estate for a special purpose only

The right to use and do whatever with the real estate

---

*Correct answer: The right to use real estate until a certain date*

*A nonfreehold estate is one in which the individual has the right to use the real estate until a certain date. Nonfreehold estates can be leases, which are contracts to use real estate for a limited amount of time.*

*The right to use real estate without a known termination date best describes a freehold estate, which is commonly associated with ownership of the property. The right to use real estate for a special purpose best describes a license. The right to use and do whatever with the real estate best describes a fee simple.*

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**86.**

Jason's house sits next to vacant land that no one seems to own, so he has used it as grazing land for his sheep for the last few years. Jason may be able to obtain ownership by which of the following?

**Adverse possession**

Homestead

Eminent domain

Annexation

*Correct answer: Adverse possession*

*Jason may be able to obtain ownership of the vacant land, that he has used for the last few years, by adverse possession. Adverse possession allows one to gain ownership of another's land when the use of the land has been open, continuous, and long enough. Duration of time necessary to obtain property by adverse possession varies by state.*

*Homestead is incorrect because it refers to the protection of a family's primary residence from creditors. Eminent domain is incorrect because it refers to the government's right to take private property for public use. Annexation is incorrect because it refers to the attachment of personal property to real estate.*

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87.

In which of the following scenarios is a broker with an exclusive right-to-sell listing agreement that does not contain a broker protection clause entitled to her commission?

**When a buyer enters into the contract to purchase the property prior to the expiration of the listing agreement**

When the buyer who saw the house during the listing agreement places an offer to purchase it 10 days after the listing agreement expires and the seller accepts the offer

When the buyer who saw the house during the listing agreement places an offer to purchase it 31 days after the listing agreement expires and the seller accepts the offer

When the seller agrees to pay the commission when the broker procures a ready, willing and able buyer

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*Correct answer: When a buyer enters into the contract to purchase the property prior to the expiration of the listing agreement*

*Unless the listing agreement contains a broker protection clause preserving the broker's right to collect a commission if a buyer to whom he showed the property during the listing agreement period purchases the property during the specified protected period, the broker only has the right to collect a commission when a buyer enters into contract to purchase the property prior to the expiration of the listing agreement.*

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88.

If Kristina passed away without a will, what would she be referred to as?

**Intestate**

Heir

Escheat

Littoral

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*Correct answer: Intestate*

*If Kristina passed away without a will, she would be referred to as an intestate. An intestate is an individual who passes away without a will.*

*Heir is incorrect because it is a person who inherits someone's property once the individual has passed away. Escheat is incorrect because it refers to property that reverts back to the state when an individual passes away without having a will or an heir. Littoral is incorrect because it refers to the shoreline of property that is on a large body of water.*

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89.

Phillip died intestate and his only relative, his nephew James, received his real estate. How was the title acquired?

**By descent**

By escheat

By survivorship

By foreclosure

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*Correct answer: By descent*

*James acquired the title to real estate by descent. Since the decedent (Phillip) died without a will (intestate), his heir (James) obtained the title to the real estate through descent. Title by descent passes the title to real estate to an individual's living heirs when the individual did not leave behind a will.*

*By escheat is incorrect because the decedent's property would have been escheated to the state if no heirs were identified. By survivorship is incorrect because an individual acquires title to real estate by survivorship when that person was a co-owner of real estate. By foreclosure is incorrect because that is when real estate is forced into sale for nonpayment of a claim.*

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90.

The land around Cindy's barn is wet and populated with frogs, pussy willows, and moss. What term is used to classify the land?

**Wetlands**

Accretion

Avulsion

Riparian

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*Correct answer: Wetlands*

*Wetlands are land that provide a place for water storage and a habitat for and protection of wildlife. Wetlands are protected by local, state and federal regulations.*

*Accretion is incorrect because it refers to land that has naturally increased over time. Avulsion is incorrect because it refers to a loss of soil from a sudden change in a watercourse. Riparian is incorrect because it refers to land that is bound by water, such as a river or lake.*

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91.

Simon has been granted rights to use land, but he does not have possessory rights. What does Simon have?

Interest

Fee simple

Littoral

Estate

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*Correct answer: Interest*

*Simon has an interest in land. An interest in real estate is when someone an ownership of any combination of a bundle of rights to real property, including a leasehold, lien holder and others. It does not grant the interest holder the right to do whatever she/wants to do with the real estate.*

*Fee simple is incorrect because it provides the right to use and do whatever with real estate. Littoral is incorrect because it refers to the shore line along property that borders a large body of water. Estate is incorrect because it refers to the degree, or the extent, of interest that an individual has in property.*

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92.

Rod passes away without a will and his two children inherit his real estate by which of the following means?

**Intestate succession**

Escheat

Eminent domain

Homestead

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*Correct answer: Intestate succession*

*When an individual passes away without a will, the individual is referred to as an intestate. When the intestate has heirs, or children/relatives, those individuals obtain ownership of the real estate through intestate succession.*

*Escheat is incorrect because it occurs when an intestate has no heirs and the state takes the decedent's real estate. Eminent domain is incorrect because it refers to the government's right to take private property for public use. Homestead is incorrect because it refers to the protection of a family's primary residence from creditors.*

---

**93.**

If Kent and Sarah have an undivided interest in real estate and each has the right to dispose of the real estate as he or she wishes, what do they have?

**Tenancy in common**

Tenancy in severalty

Joint tenancy

Tenancy by entireties

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*Correct answer: Tenancy in common*

*If Kent and Sarah have an undivided interest in real estate and each has the right to dispose of the real estate as he or she wishes, this is known as a tenancy in common. Tenancy in common refers to co-ownership between multiple individuals without survivorship rights. When one owner dies, that owner's rights passes to his or her heirs and not the other tenant(s) in common.*

*Tenancy in severalty is incorrect because it refers to ownership by one individual or by one entity. Tenancy by the entirety is incorrect because it refers to joint ownership between a husband and wife and includes rights to survivorship. Joint tenancy is incorrect because it refers to joint ownership, and when one owner passes away the remaining owner(s) inherit a portion of the decedent's rights.*

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**94.**

Jenny recently passed away. In her will, she left her husband, Steve, the right to use, occupy, and enjoy her real estate until he passes away. Once Steve passes away, the real estate will become the property of their children, John and Diane, whom will co-own the real estate without survivorship.

Once Steve passes away, what will John and Diane be?

**Tenants in common**

Tenants in severalty

Tenants by entireties

Tenants by survivorship

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*Correct answer: Tenants in common*

*Once Steve passes away, the real estate will pass to John and Diane and they will be tenants in common because they will co-own the real estate without survivorship. This means that once John and Diane own the real estate, each of them own an undivided interest in the real estate and either of them may dispose of his/her rights as he/she pleases.*

*Tenants in severalty is incorrect because it is used to refer to ownership by one individual or by one entity. Tenants by entireties is incorrect because it is used to refer to joint ownership between a husband and wife and it has survivorship. Tenants by survivorship is incorrect because it is just referred to as survivorship and survivorship is when the survivor automatically inherits the real estate.*

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95.

The government acquired fifty feet of privately owned property in order to build a road. This right is known as which of the following?

**Eminent domain**

Escheat

Easement

Accretion

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*Correct answer: Eminent domain*

*Eminent domain gives the government the right to acquire an interest (a fee, leasehold or easement) in private property in order to build something on it for public use.*

*Escheat is incorrect because it occurs when an individual who dies has no heirs and the state takes the decedent's real estate. Easement is incorrect because it refers to the right of one landowner to use another landowner's land for a particular reason. Accretion is incorrect because it is when land increases due to a natural process.*

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# B. Agency Law

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B. Agency Law

96.

What common law term is used to refer to the broker when describing his agency relationship to the client?

**Fiduciary**

Agent

Principal

Authority

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*Correct answer: Fiduciary*

*Fiduciary is the common law term used to refer to the broker when describing his agency relationship to the client. The broker is often referred to as a fiduciary in common law, although the broker's actual duties are governed by the brokerage agreement and state law.*

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97.

The amount of commission a broker shares with a salesperson is which of the following?

**Negotiated between the broker and the salesperson**

Dictated by state law

Split evenly between the broker and the salesperson

Dictated by the National Association of Realtors

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*Correct answer: Negotiated between the broker and the salesperson*

*The amount of commission a broker shares with a salesperson is negotiated between the broker and the salesperson.*

*The other choices are incorrect because states do not dictate what the commission split should be between brokers and salespersons. Commission are not always evenly split between brokers and salespersons, and typically depend on the experience of the agent and the individual brokerage's business model. The National Association of Realtors does not dictate what the commission split should be between brokers and salespersons.*

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98.

John is a broker who is the seller's agent. What does that make the salesperson?

**Subagent**

Principal

Realtor

Dual agent

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*Correct answer: Subagent*

*The salesperson would be considered the subagent since the broker is the seller's agent.*

*Principal is incorrect because the seller is known as the principal. Realtor is incorrect because the salesperson must become a member of the National Association of Realtors to become a realtor. Dual agent is incorrect because the broker becomes a dual agent when he/she represents the buyer and the seller.*

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**99.**

What does the Sherman Antitrust Act prevent brokers from doing?

**Price fixing**

Buying real estate

Working for both parties

Representing the buyer

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*Correct answer: Price fixing*

*Brokers are not permitted to price fix according to the Sherman Antitrust Act. It is illegal for brokers to agree with competing brokers to fix the commission rates they charge to clients. If a broker is found guilty of price fixing, the broker can be charged with monetary penalties and/or prison terms. The penalties can range from treble damages plus attorneys fees to a maximum of one million dollars and ten years in prison.*

*The other choices are incorrect because the Sherman Antitrust Act does not prevent brokers from buying real estate, working with both parties, or representing the buyer.*

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