Quizzes

Instructions: Quizzes are open book. All answers are multiple choice. Quizzes are optional and may be taken as many times as you like. Answer key is located on page 445.

QUIZ 1
Chapters 1.1–2.4

1. Of all the economic factors, _________ has the most impact on the vigor of the California real estate market.
   a. weather
   b. employment
   c. war

2. The basis for an individual's _________ is a paycheck, self-employed earnings from a trade or business, or income from investments.
   a. return on investment (ROI)
   b. real demand
   c. creditworthiness

3. The percentage of the California population who owned their homes peaked in 2006 around:
   a. 50%.
   b. 61%.
   c. 85%.

4. The loss of jobs affects _________ real estate.
   a. only single family residential (SFR)
   b. only commercial
   c. all types of

5. The two basic categories of interest rates are:
   a. long-term and short-term.
   b. state and federal.
   c. high and low.

6. The U.S. economy functions on a _________ interest rates cycle.
   a. 10-year
   b. 15-year
   c. 60-year

7. The yield spread is the difference between the 10-year Treasury note rate and the:
   a. 6-month Treasury bill rate.
   b. 3-month Treasury bill rate.
   c. London Inter-Bank Offered Rate (LIBOR).

8. The desired fixed rate of return on the investment in excess of the future rate of inflation is known as the:
   a. return of investment.
   b. real rate of return.
   c. yield spread premium.
9. The Buy Phase, the ideal moment for buying property, is characterized by cyclically low prices and:
   a. low interest rates.
   b. few willing buyers.
   c. Both a. and b.

10. When employment is rising and prices remain low, real estate investors can prepare for a:
   a. hold phase.
   b. buy phase.
   c. sell phase.

**QUIZ 2**

**Chapters 2.5–4.2**

1. Lenders will allow no more than __________ of a homebuyer's monthly gross income to be used on a monthly mortgage payment.
   a. 100%
   b. 31%
   c. 95%

2. __________ are overnight funds lent to banks with insufficient reserves by the Federal Reserve (the Fed) and banks with excess reserves.
   a. Cost-of-Funds Index
   b. Discount rates
   c. Federal funds

3. A(n) __________ is a transaction in which sales proceeds are reinvested by acquiring like-kind property and the profits on the sale are deferred until the investment is cashed out.
   a. equity purchase
   b. discount transaction
   c. §1031 transaction

4. A(n) __________ refers to a collectible, such as real estate, the value of which may increase with time beyond the rate of consumer inflation.
   a. basket of goods
   b. appreciable asset
   c. mutual fund

5. A speculator's delegation of a purchase agreement's obligations to a substitute buyer is known as a(n):
   a. assumption.
   b. right of rescission.
   c. waste.

6. When purchasing a residential property from a seller-in-foreclosure, a speculator is subject to __________ laws, which protect vulnerable sellers.
   a. lemon
   b. anti-flipping
   c. equity purchase (EP)
7. A buyer other than the mortgage holder who purchases a property for value at a trustee’s sale without notice of title or trustee’s sale defects is referred to as a(n):
   a. equity purchaser.
   b. bona fide purchaser (BFP).
   c. carryback seller.

8. ______________ is the lost interest which would have been earned by investing income instead of allocating it to building home equity.
   a. Gross operating income
   b. Net income multiplier (NIM)
   c. Opportunity cost

9. ______________ is the condition which occurs when the market value of real estate is less than the mortgage which encumbers it.
   a. Free-and-clear ownership
   b. Negative equity
   c. Absorption

10. A ______________ temporarily reduces a homeowner’s mortgage payment, but it does not permanently alter the mortgage terms.
    a. forbearance agreement
    b. verbal agreement
    c. cramdown

QUIZ 3
Chapters 4.3–6.3

1. Compared to the rest of the nation, the rise and fall in home prices experienced in California during the years leading up to the Great Recession was:
   a. mild.
   b. severe.
   c. average.

2. Going into 2019, just over ____________ of California’s homeowners were underwater on their homes.
   a. 12%
   b. 2%
   c. 8%

3. A ________ is a worksheet used to list in dollar amounts all a homeowner's assets and liabilities.
   a. statement of financial position
   b. bankruptcy declaration
   c. listing agreement

4. An asset that cannot be converted easily into cash without taking a loss is called a(n):
   a. illiquid asset.
   b. liquid asset
   c. solid asset

5. The dollar amount an owner receives by occupying the space themselves is called:
   a. implicit rent.
   b. actual rent.
   c. the net income multiplier (NIM).
6. Renters-by-necessity are ___________ to purchase a home.
   a. financially unable
   b. unwilling
   c. Neither a nor b.

7. Agents in urban areas would be wise to consider adding _____ to their title, as demand for this skill will rise throughout this decade as rentals emerge as significant profit centers.
   a. property manager
   b. loan officer
   c. escrow officer

8. The gross revenue multiplier (GRM) is calculated by dividing the:
   a. annual rent a comparable property commands by its operating expenses.
   b. cost of the property amenities by the value of the raw land.
   c. sale price of a residence by the annual rent it or a comparable property commands.

9. Investment in property aesthetics and the appearance of family stability are types of _____ favorably associated with owning a home.
   a. financial amenities
   b. social amenities
   c. cultural amenities

10. During the coming decade a buyer will generally need to stay in the property for a minimum of ________ years to break even.
    a. one or two
    b. four or five
    c. six or seven

**QUIZ 4**

**Chapters 7.1–7.3**

1. A real estate mortgage appears as a ________ on title to a property allowing the lender to enforce the mortgage by nonjudicial foreclosure.
   a. temporary easement
   b. trust deed lien
   c. property tax assessment

2. The alternative to a real estate loan as a source of additional capital is:
   a. speculator activity.
   b. seller financing.
   c. purchase-assist financing.

3. When an adjustable rate mortgage (ARM) adjusts, the rate of adjustment is based on the __________ chosen by the lender upon origination
   a. teaser rate
   b. index
   c. short-term rate

4. The share of mortgage loans classified as adjustable rate mortgages (ARMS) reached ______ at the height of the Millennium Boom.
   a. 75%
   b. 50%
   c. 25%
5. Unlike during the Millennium Boom, the ability to repay rules now require adjustable rate mortgages (ARMs) to be approved at the ________ after five years from the date of the first payment.
   a. treasury rate
   b. teaser rate
   c. fully indexed rate

6. An adjustable rate mortgage (ARM) with a shorter introductory period typically has:
   a. a lower teaser rate.
   b. a higher teaser rate.
   c. no teaser rate.

7. The capital adequacy ratio addresses a bank’s level of:
   a. liquidity.
   b. solvency.
   c. payday loans.

8. Pools of mortgage-backed bonds (MBBs) are sold to banking institutions and investors in a process called:
   a. reverse amortization.
   b. assumption.
   c. securitization.

9. The temporary, low initial interest rate found in adjustable rate mortgages (ARMs) is called a:
   a. teaser rate.
   b. sticky rate.
   c. short-term rate.

10. Deregulation in the lending industry between 1982 and 2007 permitted and encouraged:
    a. reckless lending.
    b. responsible lending.
    c. less lending.

QUIZ 5
Chapters 8.1–9.2

1. ____________ is an increase in the general price level of all goods and services in the economy.
   a. Consumer price inflation
   b. Asset price inflation
   c. Both a. and b.

2. The Federal Reserve (the Fed) controls inflation by controlling the amount of money:
   a. in circulation.
   b. held by bankers.
   c. held in personal savings accounts.

3. An extreme imbalance in supply and demand is referred to as:
   a. disequilibrium.
   b. quantitative easing (QE).
   c. asset price inflation.
4. A(n) ________ is able to be used again and again over a long term and is subject to
deterioration and obsolescence.
   a. product
   b. commodity
   c. asset

5. The phenomenon of increasingly larger mortgage amounts due to increasingly inflated
prices of the same collateral is called the:
   a. American Dream effect.
   b. financial decelerator effect.
   c. financial accelerator effect.

6. The Federal Reserve’s (the Fed’s) practice of charging interest on the excess reserves of
lenders to stimulate lending activity is known as:
   a. going sideways.
   b. going positive.
   c. going negative.

7. The liquidity trap is a condition occurring when injections of cash into the banking
system ________ lending and economic growth.
   a. fail to stimulate
   b. help to increase
   c. directly cause

8. “QRM” in the mortgage industry stands for:
   a. qualified residential mortgage.
   b. quantified reverse mortgage.
   c. quick reciprocal monies.

9. When consumer confidence is running high, the rate of personal savings:
   a. rises.
   b. falls.
   c. stays the same.

10. California’s gross domestic product (GDP) is growing ________ than personal incomes.
    a. at the same rate
    b. slower
    c. faster

**QUIZ 6**

**Chapters 10.2–12.4**

1. Construction will first begin to blossom in the communities of ________________
   where high-tech information and service jobs are increasingly centered.
   a. central California
   b. the Inland Empire
   c. coastal California

2. Homeowner vacancies represent the number of:
   a. occupied single family residences (SFRs).
   b. unoccupied rental housing units.
   c. unoccupied homeowner housing units.
3. When the Millennium Boom began in 2002, rental vacancies:
   a. began to fall as more people began leasing rental properties.
   b. began to rise as tenants jumped on the homebuying bandwagon.
   c. were static and did not significantly vary from prior years.

4. In California, recording a __________ is the first step in the foreclosure process.
   a. notice of delinquency
   b. notice of nonresponsibility (NODq)
   c. notice of default (NOD)

5. The most detailed way to understand home price changes is to view these changes through
   a. tiered-home pricing lens.
   b. median pricing lens.
   c. average pricing lens.

6. The best way to initially evaluate a property and set its price is to study:
   a. comparable property values in the same demographic location.
   b. the median national property values.
   c. comparable property values in a neighboring city.

7. ________ refers to the tendency of listed prices in owner-occupied real estate to resist
   change.
   a. Comparable pricing
   b. Price persistence
   c. Median price

8. The excess mortgage debt on a negative equity property is referred to as:
   a. debt overhang.
   b. replacement cost.
   c. loan-to-value (LTV) ratio.

9. The task of property evaluation to qualify a property as collateral for the repayment of a
   loan is completed by a(n):
   a. broker.
   b. appraiser.
   c. agent.

10. Roughly __________ of a property's value comes from its improvements. The
    remaining __________ comes from the land it is situated on.
    a. 25%; 75%
    b. 75%; 25%
    c. 50%; 50%

**QUIZ 7**

**Chapters 12.5–15.2**

1. Other than during price bubbles, home prices have historically trended with the rate of:
   a. consumer inflation.
   b. Treasury bills (T-bills).
   c. adjustable rate mortgages (ARMs).
2. The ____________ is a simple abstraction used to compare the price of a stock with the earnings of the company.
   a. price-to-earnings (P/E) ratio
   b. gross income multiplier (GIM)
   c. momentum market multiplier (MMM)

3. Stock market investors look to ____________ when they want to invest in income-
   property ownership without the liabilities of ownership or property management.
   a. passive rental income
   b. real estate investment trusts (REITs)
   c. price-to-earnings (P/E) ratios

4. Investors in real estate investment trusts (REITs) and other securities are referred to as:
   a. shareowners.
   b. bona-fide purchasers.
   c. speculators.

5. When speculators overvalue stocks, a ____________ tends to occur.
   a. home price bubble
   b. recession
   c. stock bubble

6. Due to the savings lost in the Great Recession and financial crisis, many Baby Boomers
   anticipate:
   a. no retirement.
   b. an early retirement.
   c. a delayed retirement.

7. Upon retirement, the vast majority of retirees who owned a home will:
   a. continue to pursue some form of traditional ownership.
   b. rent a unit in a multi-unit dwelling.
   c. cohabit with their children.

8. As individuals approach retirement, their risk tolerance typically:
   a. increases.
   b. decreases.
   c. stays the same.

9. Adult children leaving parents’ households or singles leaving shared housing for their
   own property is an example of:
   a. financial atrophy.
   b. de-leveraging.
   c. household formation.

10. Compared to the Baby Boomers (Boomers), Generation Y (Gen Y):
    a. finds high-skilled labor and purchases real estate earlier.
    b. is taking longer to accumulate the wealth needed to purchase a home.
    c. marries and settles down earlier.
QUIZ 8
Chapters 15.3–18.2

1. In the pursuit of higher-education, Generation Y (Gen Y) is raking up unprecedented amounts of __________, which is incompatible with mortgage financing standards.
   a. job experience
   b. income
   c. student debt

2. Generation Y (Gen Y) will likely settle in __________ ripe with professional opportunity and close to areas of cultural significance.
   a. rural areas
   b. suburban
   c. urban areas

3. Buyer purchasing power consists primarily of mortgage interest rates and:
   a. annual income.
   b. personal savings.
   c. Both a and b.

4. With the availability of easy money during the Millennium Boom, bankers had the impetus to provide mortgage funds to:
   a. the same volume of borrowers as prior years.
   b. as few borrowers as possible.
   c. as many borrowers as possible.

5. When growth slows after an economic boom, this is referred to as a:
   a. virtuous cycle.
   b. vicious cycle.
   c. circular cycle.

6. The Federal Reserve’s (the Fed’s) mandate is to keep our economy stable by __________ and maintaining both job and price stability.
   a. creating legislation to regulate the secondary mortgage market
   b. directly setting consumer interest rates charged by private banks
   c. maintaining sufficient dollars in circulation

7. The rate on the money private banks pay to the Federal Reserve (the Fed) is called the:
   a. discount rate.
   c. rate of inflation.

8. To ensure the central bank would not cater to a particular political interest, the Federal Reserve (the Fed) was established as __________ District Reserve Banks.
   a. 6
   b. 24
   c. 12

9. The __________ refers to those who lend money or let real estate.
   a. rentier class
   b. debtor class
   c. austerity class
10. As part of the New Deal after the Great Depression, the government created the __________ __________ to facilitate economic stimulus.
   a. Federal Housing Administration (FHA)
   b. central bank
   c. Both a. and b.

**QUIZ 9**

**Chapters 19.1–22.2**

1. One of the reasons why U.S. property can be such a good investment for an international homebuyer is due to fluctuating:
   a. weather.
   b. exchange rates.
   c. attitudes towards immigration.

2. Under the principal residence profit exclusion, taxpayers who sell their principal residence may exclude up to __________ of profit per taxpayer from being taxed.
   a. $150,000
   b. $200,000
   c. $250,000

3. To be eligible for the mortgage interest deduction (MID), homebuyers are required to finance their purchase with:
   a. a mortgage.
   b. cash.
   c. an adjustable rate mortgage (ARM).

4. As part of the 2018 federal tax changes, the standard deduction roughly:
   a. stayed the same.
   b. decreased by half.
   c. doubled.

5. ____________ occurs when taxpayers are shifted into higher income tax brackets, despite no real increase in income after accounting for inflation.
   a. Bracket creep
   b. Environmental creep
   c. Itemized creep

6. California receives a higher population of net ____________ migrants each year than any other state.
   a. tax evading
   b. domestic
   c. international

7. Demographic information released by the ____________ can be used to anticipate future population-driven real estate sales and leasing trends.
   a. U.S. Department of Agriculture
   b. U.S. Census Bureau
   c. U.S. Military
8. ___________ measures the average income per person in a population center and sets the average amount of money spent by members of the community.
   a. Per capita income
   b. Net worth
   c. Minimum wage rates

9. More highly-educated populations tend to seek out higher-paying employment, which are mostly available in:
   a. higher elevations.
   b. lower-density rural areas.
   c. higher-density population centers.

10. One type of ___________ occurs when retirees remove their wealth from the stock market.
    a. “dis-saving”
    b. “dis-spending”
    c. “dis-buying”

**QUIZ 10**

**Chapters 23.1–25.7**

1. The Federal Reserve (the Fed) uses ___________ to prevent consumer inflation booms.
   a. fiscal policy
   b. public policy
   c. monetary policy

2. In the aftermath of the financial crisis, numerous new lending regulations were formulated under the:

3. The ___________ is in charge of implementing and regulating all consumer protection rules.
   a. Consumer Financial Protection Bureau (CFPB)
   b. U.S. Census Bureau
   c. U.S. Treasury

4. Any down payment below ____ requires the added expense of mortgage insurance.
   a. 3.5%
   b. 10%
   c. 20%

5. A(n) ___________ audit pinpoints existing energy-efficient improvements, and lists the home’s features in need of energy-efficient improvements.
   a. home inspection
   b. Energy Star Compliance (ESC)
   c. Home Energy Rating System (HERS)

6. Turnover rates are highest when ___________ are abundant and employee confidence in the economy is high.
   a. foreclosures
   b. jobs
   c. bidding wars
7. The ____________ rules limit mortgage funding to homebuyers with the financial ability to actually repay their debts.
   a. ability-to-repay
   b. qualified buyer
   c. ability-to-do-math

8. Riverside County is an example of a(n) ____________ for urban centers like Los Angeles and San Diego.
   a. coastal community
   b. vacation spot
   c. bedroom community

9. Home sales volume in ____________ County is a step ahead of the rest of the state.
   a. San Bernadino
   b. San Francisco
   c. Sacramento

10. Unlike most of California, ____________ reached a full jobs recovery, including regional population growth, in the first quarter (Q1) of 2015.
    a. Santa Clara County
    b. Los Angeles County
    c. Sacramento County
Quizzes are optional and may be taken as many times as you like.

Please use the quiz answer key provided below to check your answers if you wish to study further for your exams.

The following are the answers to the quizzes for Real Estate Economics 2017 and the page numbers where they are located.

### Quiz Answer Keys

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