1. The holder of a life estate designated as the named life cannot:
   a. lease the property.  c. will their rights to an heir.
   b. sell their interest in the property.  d. borrow against their ownership interest.
2. A fee simple absolute estate is defined as:
   a. an estate based on a condition precedent. 
   b. an estate for years.
   c. the highest interest one can have in real property.
   d. a life estate.
3. Land created by a river or lake that recedes permanently belongs to the owner of the bank or shore through the process of:
   a. alluvium.  c. appropriation.
   b. reliction.  d. escheat.
4. Property improvements that do not become part of the underlying real estate at the end of a lease term include:
   a. a stairwell.  c. attached carpeting.
   b. a wall.  d. large pieces of furniture.
5. In the order in which they are to occur, the three steps of agency disclosure are:
   a. elect, confirm, disclose.  c. disclose, elect, confirm.
   b. disclose, confirm, disclose.  d. confirm, elect, disclose.
6. When a broker represents the best interests of opposing parties in a transaction with full disclosure to both parties, the broker is known as a(n):
   a. unethical agent.  c. dual agent.
   b. subagent.  d. finder.
7. Agency Law prohibits which of the following brokerage activities?
   a. Accepting commissions from both the buyer and the seller.
   b. Acting as an escrow.
   c. Selling property they own.
   d. Accepting kickbacks from the lender.
8. ________________ must remain the undisclosed knowledge of the dual agent, unless authorized to release the information in a writing signed by the principal in question.
   a. Confidential pricing information
   b. Material facts regarding the property’s condition
   c. The square foot measurements of the property
   d. The proximity of military ordinance
9. An individual who has been delegated agency duties by an agent of the client, but is not employed by the client, is referred to as a(n):
   a. multiple listing partner.  c. subcontractor.
   b. subagent.  d. tandem agent.
10. A(n) ________________ may be made to an offer received consisting of terms different from those of the offer rejected.
    a. waiver  c. ratification
    b. counteroffer  d. novation
11. When a purchase agreement requires the seller to pay for a structural pest control inspection and perform any necessary corrective work, the buyer needs to receive a copy of the structural pest control report:
   a. within five days of opening escrow.
   b. within five working days of the date of the pest report.
   c. as soon as practicable before the close of escrow.
   d. no more than three business days after the close of escrow.

12. Which of the following is the most correct statement about an option to purchase contained in a lease agreement?
   a. The option to purchase will generally pass with an assignment of the lease.
   b. The lease creates restrictions upon the optionee.
   c. An option needs to provide mutual benefits and obligations.
   d. An option creates a fiduciary relationship between the optionor and the optionee.

13. A broker enters into an oral listing agreement with a seller and locates a suitable buyer who purchases the property. Payment of a commission to the broker is:
   a. a violation of the Real Estate Commissioner’s regulations.
   b. regarded as a violation of the Statute of Frauds.
   c. a civil violation of the law.
   d. unenforceable and at the option of the seller.

14. When one party is substituted for another party in a contract, it is called:
   a. novation.
   b. assignment.
   c. subordination.
   d. redaction.

15. All records of an agent’s activities during the listing period need to be retained for:
   a. four years.
   b. three years.
   c. two years.
   d. one year.

16. If a principal no longer wants to employ a broker to act on their behalf after entering into an exclusive right to sell listing, they may:
   a. switch the listing to a different broker without the consent of the original broker.
   b. revoke the listing contract and not be liable for damages.
   c. choose not to cooperate in the marketing effort and risk liability for damages.
   d. sue the broker for damages if the home didn’t sell.

17. As the first step in developing a risk reduction program for their office, a broker:
   a. identifies all the activities agents perform which could result in a claim of liability against the broker.
   b. monitors ongoing agent compliance with established risk management protocol.
   c. requires all their agents to take a driving test through an obstacle course.
   d. requires licensees to provide proof of health insurance.

18. If a water heater meets safety requirements, the seller notes the compliance by marking the box next to “anchored, braced or strapped” on the:
   a. purchase agreement.
   c. Transfer Disclosure Statement (TDS).
   d. Paolo Safety Disclosure.
19. A broker has a listing on a property and locates a buyer who is willing to purchase the property for greater than the listing price. The broker does not disclose the existence of the offer to the seller and purchases the property themselves, later selling it to the original buyer. Here, the broker is guilty of:
   a. breaching their fiduciary duty to the seller.
   b. extracting an improper secret profit.
   c. improperly converting the profits from the sale.
   d. Both a. and b.

20. ____________ are allowed between two brokers if the broker receiving it is not providing another service in the transaction, such as financing, insurance or escrow.
   a. Referral fees
   b. Hidden fees
   c. Secret profits
   d. Duplicate fees

21. Broker fees deposited with a broker by a client prior to being earned by the broker are known as:
   a. duplicate charges.
   b. advance costs.
   c. advance fees.
   d. kickbacks.

22. The Natural Hazard Disclosure Statement (NHD) requires the seller’s agent to disclose to a prospective buyer whether they have knowledge the property:
   a. has a roof more than three years old.
   b. is located in a fault zone.
   c. is located in an area with a high crime rate.
   d. has an outdoor pool.

23. The federal Lead-Based Paint Disclosure (LBP) is required on all ____________ residential construction.
   a. pre-1978
   b. post-1978
   c. pre-1995
   d. post-1995

24. Commingling is the opposite of:
   a. subrogation.
   b. mixing
   c. subordination.
   d. separation.

25. A broker maintains a ________ for each owner of trust funds held in a trust account.
   a. subaccount ledger
   b. carbon record
   c. marketing package
   d. deposit receipt

26. An unlicensed assistant can properly:
   a. show property to prospective buyers.
   b. enter into a listing agreement on behalf of their employing broker.
   c. discuss the terms and conditions of a possible sale.
   d. prepare a Competitive Market Analysis (CMA) for a prospect.

27. A broker may use funds in a company trust account to:
   a. make mortgage payments on behalf of the owners of properties managed by the broker.
   b. to pay office salaries.
   c. provide advances to salespeople.
   d. pay for personal items, so long as the trust account is reimbursed.
28. A brother and sister held title to a duplex as joint tenants. All their other business and personal properties were held separately. The sister, who was insolvent, died with outstanding debts owed to creditors. After her death, title to the duplex is held by the brother:
   a. free and clear.
   b. as a tenant in common with the sister’s creditors.
   c. as a tenant in common with the tenants of the duplex.
   d. subject to probate procedures.

29. Although title to an income-producing property held by co-owners for profit is vested in the names of all the co-owners, it is collectively called a(n):
   a. trust
   b. sole ownership
   c. partnership
   d. fiduciary

30. An abstract of title issued by a title insurance company is:
   a. a boilerplate industry form.
   b. functions as a preliminary title report.
   c. defines the physical borders of the property.
   d. a written summary of documents shown in the title history of the property.

31. Which type of title insurance policy insures against all title risks?
   a. American Land Title Association (ALTA).
   b. Extended coverage policy.
   c. California Land Title Association (CLTA).
   d. No title policy covers all risks.

32. When a loan is secured collaterally, the loan is a(n):
   a. chattel mortgage.
   b. loan secured by another loan.
   c. all-inclusive loan.
   d. piggyback loan.

33. The promissory note and mortgage are signed by:
   a. the mortgagee.
   b. the lender.
   c. the trustee.
   d. the mortgagor.

34. The Real Estate Settlement Procedures Act (RESPA) prohibited __________ in 1974.
   a. kic
   b. subprime loans
   c. adjustable rate mortgages (ARMs)
   d. piggyback loans

35. Which of the following is most important to a lender when determining whether to fund a loan?
   a. The amount of liquid funds it has on reserve to originate other loans.
   b. Its relative risk of funding the loan.
   c. Its profit margin on the loan.
   d. The appraised value of the property securing the loan.

36. Changes in mortgage financing terms will affect the:
   a. price and value of the property.
   b. price only.
   c. value only.
   d. use of the property.

37. When deciding whether to fund a real estate loan, institutional lenders generally avoid:
   a. a high risk yield.
   b. high income borrowers.
   c. borrowers with multiple jobs.
   d. subprime loans within their portfolio.
38. The ethics and standards of practice for appraisers are described in:
   a. State Real Estate Law.
   c. Uniform Standards of Professional Appraisal Practice (USPAP).
   d. Fannie Mae (FNMA) Guidelines.

39. In real property, the major loss of value comes from:
   a. deterioration.
   b. obsolescence.
   c. old age.
   d. lack of maintenance.

40. While building a new home, a developer received several offers to purchase the property. Prior to completion, the city announced it was taking 15 feet from the front of the property for a new bicycle lane. Afterwards, all additional offers to purchase the property were for 20% less. Which of the following types of depreciation apply?
   a. Physical wear and tear.
   b. Functional obsolescence.
   c. Social dissatisfaction.
   d. Economic obsolescence.

41. The basis of the market data approach to appraisal is found in the:
   a. principle of balance.
   b. principle of substitution.
   c. principle of conformity.
   d. principle of contribution.

42. When two properties are perceived as comparable, buyers tend to concentrate on price. This principle is called:
   a. contribution.
   b. anticipation.
   c. balance.
   d. substitution.

43. Under the market comparison approach, if a comparable property lacks a feature that is present in the subject property, the value that feature will contribute is:
   a. ignored since it has no effect on the sales price.
   b. identified in the appraisal report for comparison purposes.
   c. added to the sales price of the comparable property.
   d. subtracted from the sales price of the subject property.

44. The appraisal method most commonly used to value land or sites is the:
   a. cost approach.
   b. income approach.
   c. the land development approach.
   d. sales comparison approach.

45. Which of the following does not describe excess land?
   a. Land which does not add to the total value of the property.
   b. Land in excess of that used by comparable properties.
   c. Land that is not sufficiently utilized by the improvements on it.
   d. Land that is used to store unused property fixtures.

46. For a retailer, the most important factor when choosing the site for a commercial property is:
   a. visibility.
   b. easy access.
   c. traffic flow.
   d. the purchasing power of the area.

47. A broker acting as an agent on behalf of both the landlord and tenant is a(n):
   a. single agent.
   b. dual agent.
   c. double agent.
   d. subagent.
48. A broker on any type of real estate transaction who fails to promptly disclose their dual agency is subject to:
   a. liability for their clients' money losses.
   b. a $25,000 penalty.
   c. disciplinary action by the Internal Revenue Service (IRS).
   d. deportation.

49. After a broker enters into a listing agreement for an apartment building with a corporation, the officers of the corporation die in an accident. What happens to the listing?
   a. The listing is withdrawn from the market until new corporate officers ratify the agreement.
   b. The listing is automatically voided as the employing party has died.
   c. The listing is unaffected and enforceable.
   d. The listing converts to a debt obligation against the corporation in the amount of the broker's commission.

50. The Real Estate Commissioner, under the Subdivided Lands Law, deals primarily with the __________ court.
   a. Municipal
   b. Superior
   c. Federal Supreme
   d. State Appeals

51. In a general plan, what is the method of enforcement used by the planning commission?
   a. Escheat.
   b. Prescriptive easement.
   c. Eminent domain.
   d. Zoning.

52. Riparian rights:
   a. grant ownership of adjacent water ways to a neighboring real estate owner.
   b. include the right to reasonably appropriate water from a river, stream or brook as needed.
   c. need to be expressed in the mortgage or note and trust deed.
   d. may be discovered through a thorough examination of public records.

53. When population growth causes real estate values to increase, this is classified as:
   a. substitution.
   b. economic advantage.
   c. excess profit.
   d. an unearned incremental increase.

54. Which of the following is an example of a subdivision?
   a. Six row houses.
   b. A triplex converted to condos.
   c. A condo converted to six timeshare properties.
   d. Eight timeshare properties.

55. A soil pipe is a(n):
   a. drainage pipe.
   b. sewer pipe.
   c. electrical conduit.
   d. any clay or adobe pipe.

56. When one broker authorizes another broker to act as a subagent on the seller's approval, the subagent is primarily responsible to:
   a. the Department of Real Estate (DRE).
   b. the seller.
   c. the original broker.
   d. both the buyer and the seller.
57. An agency relationship requires all of the following, except:
   a. consideration.
   b. mutual consent.
   c. a competent principal.
   d. Both b. and c.

58. Broker Stan acts as a dual agent for both Buyer Esmerelda and Seller Geoffrey. At no point does Broker Stan reveal their dual agency status. Which is the least likely outcome?
   a. The broker is forced to forfeit their broker fee.
   b. The broker is disciplined by the Department of Real Estate (DRE).
   c. The broker is liable for their principals’ money losses.
   d. The broker faces a criminal conviction.

59. A(n) ____________ occurs when a broker provides services to both a buyer and a seller in a transaction without disclosure, and is unaware the buyer and seller both consider them their agent.
   a. deniable agency
   b. intuitive agency
   c. ostensible agency
   d. agency confirmation

60. When listing agents improperly delete or strike through terms or provisions in a signed purchase agreement, this act is known as:
   a. interlineation.
   b. rearrangement.
   c. forgery.
   d. defacing.

61. Without a liquidated damages provision in the purchase agreement, the seller is entitled to recover:
   a. only 3% of their money losses caused by the buyer’s breach.
   b. only 10% of their money losses caused by the buyer’s breach.
   c. the entire amount of their money losses caused by the buyer’s breach.
   d. none of their money losses caused by the buyer’s breach.

62. A broker under an exclusive listing also holds an option to purchase the property. If the broker intends to exercise the option, the broker:
   a. has a conflict of interest which needs to be disclosed.
   b. needs to obtain the seller’s approval of the broker’s exercise of the purchase option in writing.
   c. needs to obtain the approval of the Department of Real Estate (DRE).
   d. needs to avoid receiving other offers before exercising the option.

63. Which of the following statements regarding an option is false?
   a. An option may not be exercised after the expiration of the option term.
   b. Consideration needs to be provided in exchange for granting the option.
   c. The option binds the optionee to performance.
   d. An option does not provide the optionee the right to use the land during the option period.

64. A seller signs three open listing agreements. Which of the following is correct?
   a. The listing contract is voidable by any of the brokers.
   b. The listings are illegal.
   c. The payment of a commission is unenforceable.
   d. The broker who delivers an acceptable offer receives the full commission.
65. A listing broker needs to present all offers received on a listing property until:
   a. an offer is accepted.  
   b. escrow is opened.  
   c. all contingencies are removed.  
   d. escrow is closed.

66. A seller of a property is not bound by the acts and representations of the following, except:
   a. the escrow officer performing escrow for the transaction.  
   b. the listing broker employed by the seller.  
   c. the mortgage broker who funds the buyer’s loan.  
   d. the buyer’s broker.

67. When asked by the prospective buyer about any aspect of a property, the seller’s agent:
   a. is duty-bound to respond fully and fairly to the inquiry.  
   b. only needs to respond if the question addresses a material fact about the property.  
   c. is to refer the buyer to address the question to the buyer’s agent.  
   d. is duty-bound to answer only as authorized by the seller.

68. A preprinted disclaimer contained in the statutory Transfer Disclosure Statement (TDS) states the disclosures made by the seller on the form:
   a. may be relied on by a buyer as a warranty of the actual condition of the property.  
   b. are not part of the terms of the purchase agreement.  
   c. Both a. and b.  
   d. Neither a. nor b.

69. A property manager must deposit all funds collected on behalf of a landlord into a _________ within three business days of receipt.
   a. trust account  
   b. personal account  
   c. general brokerage account  
   d. savings account

70. Which of the following appraisal reports provide the greatest degree of detail about a property?
   b. Appraisal letter.  
   c. Fannie Mae Form 1004.  
   d. Narrative appraisal report.

71. The value of unimproved property is best estimated by which of the following appraisal approaches?
   a. The income approach.  
   b. The sales comparison approach.  
   c. The cost approach.  
   d. Capitalization rate (cap rate).

72. The unit of comparison when appraising land is:
   a. cost per square foot.  
   b. cost per front foot.  
   c. cost per acre.  
   d. Any of the above.

73. When a dual agency relationship is established in a targeted sales transaction, the broker and their agents may not pass on any information from one party to the other relating to:
   a. the price the buyer may be willing to pay.  
   b. the terms of payment the seller may be willing to accept.  
   c. confidential financial information of the parties.  
   d. All of the above.
74. The price a reasonable, unpressured buyer would pay for a property on the open market as set by an appraisal is known as the:
   a. mark-to-management value.  c. value in use.
   b. fair market value (FMV).     d. assessed value.

75. The referral of a client to a financially controlled business owned by the broker is required to be disclosed by use of a(n):
   c. home inspection report.
   d. Conflict of Interest Disclosure.

76. The ____________, contained in all purchase agreements, states the existence or nonexistence of each broker’s fiduciary agency with the various parties to the transaction.
   a. agency confirmation provision  c. hold harmless agreement
   b. broker liability agreement      d. attorney fee provision

77. A listing broker enters into negotiations to sell an office building to a limited partnership in which the broker is a limited partner. The broker does not disclose their interest in the limited partnership to the seller. Before closing, the seller discovers the broker’s interest and refuses to sell. What is the likely outcome of a civil suit to collect a commission?
   a. The case is transferred to the Real Estate Commissioner.
   b. The case is sent to criminal court.
   c. No commission would be due to the broker.
   d. The broker would likely be awarded their full commission.

78. Accretion results in the acquisition of title to real estate by which of the following methods?
   a. Eminent domain.
   b. Acquisition through natural causes.
   c. Transfer through a valid will or intestate succession.
   d. Acquisition of title by adverse possession.

79. An unearned incremental increase in the value of real property does not result from:
   a. added amenities to the property.
   b. change of zoning.
   c. increased density of population.
   d. advantageous methods for measuring depreciation.

80. A person who owns an undivided interest in a parcel of real property together with a separate interest in communal space has an interest in a(n):
   a. subdivision.  c. commune.
   b. condominium project.  d. corporation.

81. A property owner dies testate, leaving a spouse and three children. The owner’s estate is distributed:
   a. to their heirs by right of reversion.
   b. one-half to their spouse and one-half divided among the three children.
   c. equally among the heirs.
   d. in accordance with their will.
82. The right to use, enjoy and alienate real estate to the exclusion of all others most accurately describes:
   a. a possessory right.         c. ownership.
   b. a tenancy.                 d. an estate for years.

83. Which of the following may also be called an estate of inheritance?
   a. Fee simple.                   c. Condition subsequent.

84. A residential neighborhood suffers economic obsolescence from which of the following?
   a. Functional inadequacies.
   b. Airplanes landing at a nearby local airport.
   c. Physical wear and tear.
   d. Obsolete heating and cooling systems.

85. Which of the following is an example of economic obsolescence?
   a. A leaking roof.         c. An oversupply of like-kind properties.

86. If multiple lenders participate in the same loan but in different portions, the loan is a(n):
   a. 80/20 mortgage.       c. participation loan.
   b. piggyback loan.        d. apportioned loan.

87. When a broker’s unlicensed assistant prepares marketing material, the Business and Professions Code requires:
   a. the broker to be the original source of all content for the advertisements.
   b. the broker to read and approve all material before it is used.
   c. the broker’s approval to be in writing before the material is used.
   d. the broker to ensure the assistant is provided with accurate information.

88. It is unnecessary for a broker to maintain trust records in which of the following transactions?
   a. A check immediately handed to escrow.
   b. A deposit check delivered to the seller.
   c. A rent check quickly delivered to the lessor.
   d. None of the above.

89. Which of the following is the most important reason for a broker to maintain a trust fund account separate from the business account?
   a. To impress clients.
   b. To satisfy Department of Real Estate (DRE) auditors.
   c. To avoid the commingling and converting the funds.
   d. For ease of accounting.

90. A buyer wishing to recover losses caused by a listing agent’s negligent failure to disclose known material defects has _____________ to pursue their losses.
   a. one month               c. one year
   b. six months             d. two years

91. Apartment buildings with __________ or more units are required to have a landlord, resident manager or responsible caretaker living on the premises to manage the property.
   a. 8                       c. 16
   b. 12                      d. 24
92. A broker is assured a fee under a safety clause in a listing agreement if:
   a. information about the property is provided to prospective buyers during the listing period by the listing agent.
   b. the seller is notified of the identification of the prospective buyers who later purchases the property as soon as possible after termination of the listing.
   c. a prospective buyer located during the term of the listing acquires the property as a result of negotiations commenced during the safety period.
   d. All of the above.

93. Which of the following is the maximum term of an exclusive right to sell listing on real property?
   a. One year.  
   b. Six months.  
   c. 90 days.  
   d. Whatever time period is agreed to by the seller and broker.

94. Any exclusive right to sell listing needs to contain a(n):
   a. definite termination date.
   b. commission rate below the state maximum.
   c. definite listing price.
   d. authorization to accept a deposit from a buyer.

95. An irrevocable right to purchase property within a specific time period is called a(n):
   a. option to buy.
   b. novation.
   c. subrogation.
   d. right of first refusal.

96. Which of the following does not terminate an offer to purchase real property?
   a. A counteroffer.
   b. When the offeror revokes the offer after the offeree notified them of their acceptance.
   c. Death of the offeree prior to acceptance.
   d. When the stated period given by the offeror is exceeded prior to acceptance by the offeree.

97. Brokers and agents are required to complete ______ hours of continuing education (CE) every four years to renew a license issued by the Department of Real Estate (DRE).
   a. 50  
   b. 45  
   c. 30  
   d. 15

98. Commission splits between a broker and a salesperson are determined by:
   a. an implied contract.
   b. an express contract.
   c. local custom.
   d. a written contract.

99. The Transfer Disclosure Statement (TDS) requires a broker to:
   a. visually inspect the property and inform the buyer of any material facts.
   b. inspect the common areas in a condominium community.
   c. pay for a mold and radon gas inspection.
   d. inspect the inaccessible areas of the property.

100. A Transfer Disclosure Statement (TDS) needs to be delivered to buyers on targeted transaction by the:
   a. court assignee.
   b. trustee.
   c. beneficiary.
   d. seller.
101. The holding of the Easton v. Strassburger court case requires brokers to:
   a. explain economic conditions to the buyer.
   b. notify the buyer of their right to property inspections.
   c. explain the meaning of “as is” in regards to a property.
   d. reveal all known material facts about a property.

102. Use of the Natural Hazard Disclosure (NHD) statement is required by sellers on:
   a. court-ordered transfers or sales and transfers to or by governmental entities.
   b. transfers between co-owners and transfers to relatives or spouses.
   c. Both a. and b.
   d. Neither a. nor b.

103. Senior citizen housing is restricted to housing for persons ___________ or older.
   a. 52 or 55
   b. 55 or 60
   c. 55 or 62
   d. 65 or 72

104. Broker Stella, who is not a Realtor, uses a sign which says “Realtor” at her home office. She pays a 17 year-old high school student $10 for each listing they bring into her office. She keeps her client’s money in her safe at home. Which of the following is not a violation of the real estate law?
   a. Paying an unlicensed person to solicit listings.
   b. Improper office location.
   c. Using the term “Realtor” when she is not a member of the National Association of Realtors (NAR).
   d. Commingling the client’s money with her own money in the home safe.

105. When a broker deposits a client check into the company general account, the broker has committed:
   a. conversion.
   b. reconciliation.
   c. commingling.
   d. puffing.

106. When a property is vested with “alienable title,” this means it:
   a. cannot be conveyed.
   b. is encumbered.
   c. can be conveyed.
   d. is restricted as to who the property can be transferred to.

107. Title insurance is the means by which the title insurance company ___________ a person who acquires an interest in real estate against a monetary loss caused by an encumbrance on title.
   a. holds harmless
   b. reimburses
   c. indemnifies
   d. All of the above.

108. Which of the following is excluded from any policy of title insurance?
   a. Defects in the chain of title.
   b. Lack of capacity of a previous title holder.
   c. Legal fees and expenses incurred to defend title.
   d. A zoning or regulation dispute.
109. When the market turns from a seller’s market to a buyer’s market, which of the following is true?
   a. Interest rates go down.  
   b. Prices rise.  
   c. Prices fall.  
   d. There is no change in price.

110. The value of the nicest home on the block will be reduced by the existence of inferior properties on the same block. This is known as the principle of:
   a. regression.  
   b. progression.  
   c. highest and best use.  
   d. substitution.

111. All of the following are examples of functional obsolescence, except:
   a. an over improvement.  
   b. a swimming pool in cold climate.  
   c. a one car garage.  
   d. deferred maintenance.

112. The Agency Law Disclosure is not required to be attached to a(n):
   a. exchange arrangement.  
   b. purchase agreement for single family residential property.  
   c. purchase agreement for commercial property.  
   d. month-to-month rental agreement.

113. When showing a listed property to potential buyers, what is the listing broker required to disclose?
   a. Only what they have been authorized by the seller to disclose.  
   b. All facts about the seller’s motivation that might cause the buyer to make an offer.  
   c. Anything that encourages the buyer to buy quickly.  
   d. All known material facts about the property.

114. All of the following statements are true concerning an in-house sale, except:
   a. the listing broker can buy the property themselves.  
   b. the listing broker can act as an agent for the seller only.  
   c. the listing broker can act as a dual agent.  
   d. the listing broker can act as an agent for the buyer only.

115. Which of the following zoning designations is suitable for land used as the site of multi-family residential developments?
   a. I-3.  
   b. R-1.  
   c. R-4.  
   d. MU-4.

116. Which of the following creates an agency relationship?
   a. Subornation.  
   b. Voluntary action of the broker.  
   c. Ratification.  
   d. Interlineation.

117. A valid agency relationship does not require a(n):
   a. written agreement.  
   b. express agreement.  
   c. attorney-in-fact.  
   d. Any of the above.

118. “Agency” includes relationships between licensed sales agents and their brokers as well as:
   a. escrow officers and real estate licensees.  
   b. lenders and the agents who recommend them.  
   c. finders and the brokers who employ them.  
   d. real estate licensees and the Department of Real Estate (DRE).
119. All of the following terminate an easement, except:
   a. merger of the tenements.
   b. release by the owner of the servient tenement.
   c. abandonment.
   d. destruction of the servient tenement.

120. The ______ is responsible for installation of off-site improvements in a new subdivision.
   a. developer
   b. homeowners’ association (HOA)
   c. city or county
   d. individual property owner

121. Martin needs $25,000 to buy a new car. He owns a note secured by a $50,000 trust deed. A friend will lend Martin the money if Martin gives him his note and trust deed as security. Martin would use which document to complete this transaction?
   a. A chattel mortgage.
   b. A security agreement.
   c. A hypothecation agreement.
   d. A pledge agreement.

122. A lender is required to provide a buyer with a copy of the ______ within three business days of the lender’s receipt of the loan application which provides the mortgage terms and details quoted by the lender.
   a. Truth-in-Lending Waiver
   b. Closing Disclosure
   c. Loan Estimate
   d. Settlement Statement

123. When a married person dies intestate leaving a spouse and two children, their separate property is delivered:
   a. equally among the children.
   b. only to the current spouse.
   c. one-third to the spouse and two-thirds to the children.
   d. by escheat to the state.

124. Real Estate Settlement Procedures Act (RESPA) underwriting requirements apply to:
   a. one unit properties only.
   b. one-to-four unit residences.
   c. an apartment complex with less than twenty residential units.
   d. the purchase of 40 or more acres of raw land.

125. Why do brokers establish client trust fund accounts?
   a. To convert client funds for company use.
   b. In order to impress clients.
   c. To earn interest on client money.
   d. To separate the client’s money from broker’s money.

126. Balancing a bank statement with a client’s account is known as:
   a. auditing.
   b. reconciliation.
   c. statement adjustment.
   d. commingling.

127. The buyer of a duplex does not receive a Transfer Disclosure Statement (TDS) prior to closing. The buyer can:
   a. do nothing, since they are still obligated to proceed with the transaction.
   b. cancel the transaction.
   c. cancel the transaction only if title has not formally transferred.
   d. file a criminal suit against both the seller and listing broker.
128. The characteristic(s) of a tenancy-at-will include all of the following, except:
   a. no provision for the payment of rent.
   b. possession of a property for an indefinite and unspecified period.
   c. possession of a property delivered to the tenant with the landlord’s knowledge and consent.
   d. the tenancy is limited to a specific duration of time no greater than one year.

129. The seller of a one-to-four unit residential property is required to complete and deliver a ____________, generically called a Condition of Property Disclosure Statement, to all buyers in targeted transactions.
   a. mechanic’s lien
   b. Notice of Delinquency (NODq)
   c. Transfer Disclosure Statement (TDS)
   d. Sellers Financial Disclosure

130. A broker has a listing on a property which grants them an option to purchase the property. If the broker arranges a later sale of the property with a buyer, then exercises the option and resells the property at a profit without disclosing to the seller the second transaction with the buyer, the broker has:
   a. received an improper secret profit.
   b. committed a federal crime.
   c. acted as a dual agent without proper disclosure.
   d. performed a smart business practice.

131. An option granted to a buyer:
   a. functions as an offer to enter into a contract with the seller.
   b. prevents the seller from selling the property to another buyer for the term of the option period.
   c. creates a voluntary lien on the seller’s real estate.
   d. creates a relationship identical to that of a vendee/vendor under a land contract.

132. An option becomes a binding contract on both parties when:
   a. financing is available.
   b. it is exercised.
   c. it expires under its terms.
   d. consideration is given.

133. No matter how vested, all property acquired jointly by a married couple is presumed to be:
   a. public property.
   b. separate property.
   c. community property.
   d. trade fixtures.

134. The prosecution of a non-licensee who performed activities that required a license is handled by:
   a. the Real Estate Commissioner.
   b. a local district attorney.
   c. the U.S. marshal.
   d. a county sheriff.

135. A lender may charge a borrower ____________ for preparing federal lending disclosures.
   a. a reasonable fee
   b. $25
   c. $0
   d. 1% of loan amount

136. Just as disclosure laws are written to protect the consumer, who benefits the most when a lender requires an impound account of property taxes and insurance for a real estate loan?
   a. The lender and the trustee.
   b. The beneficiary and the trustee.
   c. The seller and the lender.
   d. The lender and the trustor.
137. With only a few days left before the close of escrow, the buyer asks the broker for permission to move into the vacant house. The broker is to:
   a. ask the buyer to deposit the balance of the down payment into escrow first.
   b. give the buyer access and approval.
   c. refuse to give the buyer access and approval.
   d. seek approval from the seller.

138. The authority a broker has when acting as an agent for a principal is:
   a. that which is granted by the Commissioner of the Department of Real Estate (DRE).
   b. whatever the broker chooses to take.
   c. that which is conferred by the principal.
   d. whatever the broker accepts as limited by the statute of frauds.

139. An agency relationship in real estate between a licensee and a principal is terminated in several ways. Which of the following does not terminate an agency relationship?
   a. The death or incapacity of either the seller or broker.
   b. Revocation at any time by the principal.
   c. Destruction of the property.
   d. None of the above.

140. A lot 300 feet deep lost 10 percent of its depth. What is the effect of the loss in depth on the value of the lot?
   a. A 10% decline in value.
   b. A decrease of value in excess of 10% due to the change in utility.
   c. The price per front foot will increase.
   d. The price per square foot will increase.

141. When using the market comparison approach to appraise a single family residence (SFR), property comparisons are based on:
   a. the gross rent multiplier (GRM).
   b. price per cubic foot.
   c. the rental income the property generates.
   d. the entire property.

142. When changes are made in a residence to correct functional obsolescence, this activity is termed:
   a. reproduction.
   b. replacement.
   c. remodeling.
   d. repair.

143. What is the name of sheet metal that protects a building from water seepage?
   a. Sill.
   b. Weep hole.
   c. Flashing.
   d. Shingles.

144. Open roof sheathing is a component of a(n):
   a. wood shake roof.
   b. gravel and tar paper roof.
   c. composite shingle roof.
   d. fiberglass tile roof.

145. Property is defined as:
   a. rights or interests which a person has in a thing owned.
   b. real if it is a trade fixture.
   c. personal if it is a fixture.
   d. a license to use something owned by another for a temporary period of time.
146. Under which type of title insurance policy is a title insurance company least likely to physically inspect the property?
   a. Standard policy.  
   b. Abstract of title.  
   c. Extended coverage policy.  
   d. Preliminary title report.

147. A residential duplex was purchased for $400,000. The buyer assumed an existing note and trust deed against the property for $300,000. The documentary transfer tax for this county is $0.55 per $500 of consideration. The transfer tax is:
   a. $110.  
   b. $440.  
   c. $55.  
   d. $220.

148. Two salespersons submit offers on the same property listed by a third salesperson within the same office. Before any offer is presented, the salesperson who submitted the first offer argues the seller should be given time to make a decision about their offer before being presented the second offer. The listing agent is to:
   a. agree to do so.  
   b. refuse to present the second offer at all if the seller likes the first.  
   c. present both offers in the order received, allowing the seller to make counter offers on each.  
   d. present both offers at the same time.

149. Which of the following is least likely to be searched by a title company when performing a title search?
   a. The county clerk’s office.  
   b. The county recorder.  
   c. The secretary of state.  
   d. The federal registry.

150. The Real Estate Settlement Procedures Act (RESPA) applies to:
   a. agricultural loans written by a bank.  
   b. a U.S. Department of Veterans Affairs (VA)-guaranteed loan.  
   c. a commercial loan for a twenty-unit apartment complex.  
   d. automobile loans written by a federally chartered bank.
SIMULATED EXAM #5 ANSWER KEY

1. c – The named life and holder of a life estate cannot will their interest to another since the ownership of the property reverts to the previous fee owner or will be granted to others as a remainder interest when the life estate ends.

2. c – Fee title to real estate which occurs in a fee simple absolute estate is held in perpetuity and affords the owner full, absolute ownership of property free from any limitations or conditions. Thus, it is the highest interest in real property.

3. b – Reliction is the exposure of land that has been covered by water which occurs when the water recedes. Answer selections A. alluvium and C. appropriation also relate to water and water rights, but are different from the process described in the question. Answer selection D. escheat is an unrelated topic.

4. d – When personal property is attached to land, it becomes real estate. This includes carpeting, stairwells and walls.

5. c – The agency disclosure law requires the agent to first disclose the existence of the law at the earliest possible moment to the prospective client. Then, the agent needs to elect who they will represent and confirm that election.

6. c – Dual agency occurs when one broker represents both principals in the same transaction.

7. d – A kickback is a fee improperly paid to a transaction agent who renders no service beyond the act of referring in exchange for a referral fee when the agent is already providing another service in the transaction for a fee. Accepting kickbacks from a lender is illegal. Both agency law and the Real Estate Settlement Procedures Act (RESPA) prohibit kickbacks.

8. a – Confidential pricing information is a matter of fiduciary responsibility. Thus, a dual agent cannot release confidential pricing information to the other party in a dual agency situation without the consent from the principal in question. The alternative answer choices are disclosures that are either required (material facts and proximity of a military ordinance) or anticipated (the square footage of the property).

9. b – Subagency is a delegated position in which the broker has been given agent responsibilities by the agent of the seller, but is not employed by the seller.

10. b – A counteroffer is an offer which differs from the original offer. Any change from the original offer causes the original offer to be void.

11. c – As with most disclosures, when a purchase agreement requires the seller to pay for a structural pest control inspection and perform corrective work, the buyer is to receive a copy of the report as soon as practicable. At the very latest, it needs to be delivered prior to the close of escrow.

12. a – When a lease containing an option to purchase is assigned, the option will typically pass with the assignment.

13. d – If an employment agreement is not in writing, the broker cannot enforce the payment of their fee. The Statute of Frauds applies to real estate listings, as well as any contract that will require more than one year to fulfill or which involves the transfer of real estate.

14. a – A novation is an exchange or substitution of one contract, person or obligation for another. The alternative answer selections are inapplicable to the question. Answer selection B. assignment comes closest, but is not the best selection as it relates more closely to leases rather than contracts. Answer selection C. subordination is the rearrangement of mortgage lien priorities on title in which a mortgage lien takes a lesser or junior position to another mortgage lien on a property, and is not a substitution. Answer selection D. redaction is an editing or removal of text from a document.
15. **b** – All records of an agent’s activity need to be kept for a minimum of **three years**. This includes listing contracts, disclosures, employment contracts, periodic reports of solicitation efforts, and paper trails for properties sold.

16. **c** – When a property owner no longer wants to work with a broker after signing an exclusive right to sell listing, they can either unilaterally revoke the listing or refuse to cooperate in the marketing effort. However, in either case, they will risk being **liable for money losses** to the broker.

17. **a** – The first step in a **risk reduction program** is to identify the activities that create potential liability. Answer selection B is the only other answer that is close to correct, though it is not the best answer available as it involves monitoring agent activities after the activities that create potential liability have been identified. Thus, it is not the first step in developing a risk reduction program.

18. **c** – The **Transfer Disclosure Statement (TDS)** is the appropriate disclosure form to reference the compliant installation of a water heater.

19. **d** – By not disclosing the existence of an offer to their client seller, the broker has violated their **fiduciary responsibility**. Further, when the broker subsequently purchased the property themselves and resold the property to the original buyer, they were guilty of receiving a **secret profit**.

20. **a** – **Referral fees** between brokers are legitimate and acceptable provided the broker receiving the fee is not also collecting other monies for services rendered in the same transaction. Hidden fees, secret profits and duplicate fees are never proper.

21. **c** – **Advance fees** are monies received by a broker for services not yet rendered, and are regulated by the Department of Real Estate (DRE). Alternatively, **advance costs** are deposits handed to a broker to cover out-of-pocket costs incurred on behalf of the depositor while performing brokerage services.

22. **b** – The **Natural Hazard Disclosure Statement (NHD)** is a disclosure of natural hazards, such as a fault zone — not manmade, environmental hazards. All three alternative answer selections are manmade.

23. **a** – **Lead-based paint** was outlawed in 1978. Thus, the need to disclose the existence of lead-based paint is applicable to residences that were built before lead-based paint was outlawed.

24. **d** – **Commingling** is the mixing of client funds with those of other clients, the brokerage firm or the individual agent. Therefore, **separation** is the opposite.

25. **a** – A broker maintains a **subaccount ledger** for each client whose monies are held in a trust account. None of the other answer selections apply to a trust account.

26. **d** – An **unlicensed assistant** may create a **Competitive Market Analysis (CMA)** for a prospective client. An unlicensed assistant cannot do anything that requires a license, such as show property to prospective buyers, enter into a listing agreement on behalf of their employing broker or discuss the terms and conditions of a possible sale. An unlicensed assistant’s work is clerical in nature.

27. **a** – **Trust fund monies** are held for the benefit of the client and may only be used exclusively for the client. Therefore, making mortgage payments on behalf of the owners of properties managed by the broker is acceptable.

28. **a** – **Joint tenancy** properties are transferred to the surviving tenant free and clear of any debt owed by the deceased joint tenant.

29. **c** – An **investment property** owned by several people is described as a **partnership**.
30. **d** – An **abstract of title** is a summary or digest of all transfers, conveyances, legal proceedings, and any other facts relied on as evidence of title, showing continuity of ownership and any elements of record which may impair title. It does not define the borders of a property or replicate the function of a preliminary title report. Further, as the abstract provides a written summary of documents related to the history of a specific property, it is not a generic, boilerplate form.

31. **d** – No **title insurance policy** can insure against all risk. Exceptions are included in all policies of title insurance.

32. **b** – A **collateralized loan** is one secured by another loan, rather than a property.

33. **d** – **Real estate mortgages** are secured by property. Thus, the property owner (mortgagor) signs the promissory note and mortgage.

34. **a** – The **Real Estate Settlement Procedures Act (RESPA)** outlawed **kickbacks** in 1974.

35. **b** – The most important consideration of a lender when determining whether to originate a loan is the level of **risk** it is exposed to. While the other answer selections are valid concerns, lenders are primarily motivated by the avoidance of risk. For instance, a high profit margin would be of lesser importance if the risky loan promptly goes into default.

36. **b** – Changes in mortgage financing terms affect **real estate prices**. Value is a matter of worth and perception, and is therefore not affected by financing costs. The use of a property is also unaffected.

37. **d** – Lenders generally avoid holding a large volume of **subprime loans** in their portfolio as these types of loans are more likely to result in borrower default. High risk yield is the lender’s method of balancing risk by demanding a greater return when a higher risk is identified.

38. **c** – The **Uniform Standards of Professional Appraisal Practice** is the code of ethics for appraisers.

39. **b** – **Obsolescence** is the greatest loss in value for real estate as it affects the utility of the structure, and thus its value and marketability. Deterioration and lack of maintenance are less damaging and may be remedied. The age of a property has little to do with its value, provided it is properly maintained.

40. **d** – Governmental actions, such as a partial taking, are an example of **economic obsolescence**.

41. **b** – The **principle of substitution** is the basis of all appraisal including the market data approach. The principle of substitution holds that a buyer will pay no more for a property than the cost of a similar property. Similarly, a seller will accept no less than a similar property sold for.

42. **d** – The **principle of substitution** states that the value of a property is equal in amount to the amount that would be paid to buy an equivalent property available in the open market. Alternatively, the principle of contribution holds that an improvement to a property is only worth what it adds to the value, not what it costs. The principle of anticipation holds that a perceived change in the future will have an effect on the present worth of the property. The principle of balance refers to the ratio of land and improvement value that will maximize the overall value of the property.

43. **c** – An appraiser adjusts the value of the **comparable property**, not the subject property. The value is adjusted in the direction of the subject. Since the subject property has an added feature, the value of the feature in the marketplace will be **added to the comparable property** to make the two more similar.

44. **d** – The **sales comparison** approach is the most commonly used appraisal method to value raw land since it has neither an improvement cost nor an income generated.
45. d – All of the answer selections correctly describe the condition of excess land except answer selection D, as the land is being used for a practical purpose, i.e., storage.

46. d – Purchasing power is the most critical issue when choosing a site for a commercial retailer. When the neighborhood the business is located in has discretionary income, there is a greater possibility of profit for the business. Hence, purchasing power is inextricably linked to an advantageous location.

47. b – Whenever an agent concurrently acts on behalf of both participants, they are acting as a dual agent.

48. a – The broker will be liable for any client financial losses when they fail to disclose their dual agency status.

49. c – When a broker enters into a listing agreement for a property owned by a corporation, the listing contract is unaffected by the death of the corporate officers. Here, the broker is employed by the corporation, not the individual corporate officers.

50. b – Any legal action initiated by the Real Estate Commissioner in relation to their duties under the Subdivided Lands Law is handled through the superior court system.

51. d – Enforcement of the general plan by the planning commission is accomplished through zoning laws.

52. b – Riparian rights have to do with water and include an owner’s reasonable appropriation of water from a stream or river contiguous to their land.

53. d – Appreciation through population increase is considered an unearned incremental increase as it is obtained without any expenditure on the part of the owner. While answer selection B. economic advantage is potentially correct, it is not the answer selection which best addresses the question.

54. a – A subdivision consists of five or more units, with the exception of timeshares which are twelve or more.

55. b – A soil pipe is a sewer pipe. Of the alternative answer choices, only C. electrical conduit is easy to eliminate since the question refers to a pipe, while electrical wires use a conduit. Answer selection A. drainage pipe may be eliminated on the basis that drainage isn’t usually dispersed in the soil, but rather sent to a waterway. Answer choice D may be the most difficult to eliminate if the answer is unknown since clay or adobe may sound similar to soil; however, this is not material used in modern piping.

56. b – When a subagency is created with the seller’s approval, the subagent is primarily responsible to the seller, not the original broker.

57. a – This is an EXCEPT question. An agency relationship does not require consideration to be valid. However, it needs to have mutual consent and a legally competent principal.

58. d – When a broker fails to disclose their dual agency status, the seller does not have to pay the broker’s fee on a closed transaction. Further, the broker may be liable for the financial losses suffered by the client (though not more than triple the client’s losses). However, there is no criminal liability for the failure to disclose a dual agency relationship.

59. c – An ostensible agency occurs when both principals believe the agent represents them, but the relationship has not been formally disclosed. Answer choices A and B may be eliminated as nonexistent terminology.

60. d – Defacing occurs when a provision in a signed document is struck out or deleted. Answer selection C. forgery only applies if the entire document was falsely created. Answer selection
B. rearrangement can be similarly dismissed as this would involve the relocation of a provision, not the deletion. Choice A. interlineation means to add alternative or additional statements to a contract.

61. c – A liquidated damages clause in a purchase agreement sets the maximum dollar amount a seller may recover from the buyer on the buyer’s breach. It is limited by statute to 3% of the purchase price. Without the clause, the buyer may be liable for the entire amount of financial loss suffered by the seller due to the buyer’s breach.

62. b – An exclusive listing with an option to purchase may cause potential conflict of interest issues. Answer choices C and D can be easily eliminated as the DRE is not directly involved and the broker would breach their fiduciary duty if they avoid receiving offers. The difference between choices A and B is a matter of recognizing that choice A is possible, but not necessarily true. Alternatively, choice B is always the best course of action.

63. c – This is a FALSE question. Here, it is important to identify who the optionee is. The optionee is the one who receives the option, which they may exercise at their discretion. Therefore, it is false to state the optionee is bound to perform (although the optionor is bound to perform if the optionee chooses to exercise the option).

64. d – An open listing is a unilateral contract. There may be any number of open listings concurrently in effect. Whichever broker produces the buyer will receive the full commission.

65. d – A sale is not complete until escrow closes. Thus, any offer received by the seller’s broker prior to the close of escrow needs to be presented to the seller for consideration.

66. b – This is an EXCEPT question. The only person for whom the seller is responsible is the listing broker employed by the seller. The other participants identified in the answer selections do not impose a liability on the seller. Similarly, a buyer is bound by the acts of their agent, but not the acts of the seller’s agent.

67. a – A seller’s agent owes a general non-fiduciary duty of honesty and fair dealing to the buyer and all other third parties in a transaction. As such, they are to answer all questions fully and fairly, unless the question concerns confidential information about the seller.

68. b – The Transfer Disclosure Statement (TDS) and other disclosures are not part of the terms of the purchase agreement. The statutory language written into the boilerplate of the disclosure states that the disclosure is not a warranty of the property’s actual condition, as it represents only what the seller knows and observes about the property’s condition.

69. a – Monies held for a client need to be deposited into a trust fund account within three business days of receipt.

70. d – A narrative report, also known as a self-contained appraisal report, is the most detailed type of property appraisal report. Unlike the other answer selections, a narrative report contains detailed descriptions. The reports listed in answer selections A and C are different names for the same generic report that only summarizes facts, and an appraisal letter reduces the report to a statement.

71. b – The sales comparison is always the preferred appraisal approach when comparable sales are available. For unimproved property, the cost approach is not possible as the property does not contain existing improvements. Answer choices A and D both require a rental income stream which is not stated in the question and unlikely for an unimproved property.
72. **d** – The **unit of comparison** when appraising land depends on the size and use of the subject parcel. Other than rural properties, land is generally priced by the square foot. Parcels with a specific frontage, such as a beach, golf course or property for commercial usage, may have the highest and best value based on the front foot comparison.

73. **d** – Under a **dual agency**, the agent may not express any information from one party to the other regarding the price the buyer may be willing to pay, the terms of payment the seller may be willing to accept, or confidential financial information of either party.

74. **b** – The **fair market value (FMV)** of a property is the price a reasonable, unpressured buyer would pay for the property on the open market. It represents the amount paid and received with no duress between principals that are an arm’s length apart (i.e., they are not related by blood or marriage, or have another affiliation that would influence their behavior).

75. **b** – Referral of a client to a financially controlled business whose earnings are shared with the broker requires the broker to provide the client a written **affiliated business arrangement disclosure**. While answer choice D is similar, the conflict of interest disclosure is used when the broker has a personal or professional bias that may interfere with their fiduciary duty, as exists when the broker is related to the other party in the transaction or has an ownership interest in a property.

76. **a** – The **agency confirmation provision** contained in all purchase agreements states the existence and nonexistence of each broker’s fiduciary duty owed to the parties of the transaction. The word “agency,” as appears in the question, is only present in answer choice A. Confirmation is the third step in the agency disclosure process: **disclose, elect and confirm**.

77. **c** – The **failure to disclose** the fact that the broker is also a partner in the partnership buying the property allows the seller to withdraw from the sale with no obligation to pay the brokerage commission. This scenario presents a **conflict of interest** that needs to be disclosed by the broker at the moment the conflict arises.

78. **b** – **Accretion** is the acquisition of property through natural causes such as a change in a watercourse. This terminology is related to **riparian rights**.

79. **a** – This is a **NOT** question. An **unearned incremental increase** does not come from any direct action by the owner, such as adding an amenity to the property. An unearned incremental increase is an increase in value that results from factors off the property and out of the owner’s control.

80. **b** – **Condominium ownership** combines an undivided interest in the actual condo unit, plus a proportionate interest in the common areas.

81. **d** – **To die testate** is to die with a will. The terms of the will dictate how the inheritance is divided.

82. **c** – **To alienate** is to transfer an interest in real estate from one person to another. Thus, while a tenancy, possessory right and an estate for years may grant the right to use and enjoy property, they do not grant the right to alienate real estate.

83. **a** – An **estate of inheritance** is ownership. **Fee simple** refers to current ownership. A fee estate grants an indefinite, exclusive and absolute ownership interest in a parcel of real estate and is the largest bundle of rights to be held in real estate.

84. **b** – **Economic obsolescence** occurs off the property. In this question, the existence of airplanes landing at a local airport refers to a neighborhood effect. All the other answer selections refer to conditions which exist on the property.
85. **c** – Economic obsolescence is a loss in value of a property due to external factors and not the condition of the property itself. Thus, an oversupply of like-kind properties in the immediate vicinity of the subject property is a type of economic obsolescence.

86. **c** – When multiple lenders participate in the same loan it is called a **participation loan**. Note that a form of the word appears in the question and the correct answer choice.

87. **b** – The real estate law requires the broker to **read and approve** all marketing material prepared by an unlicensed assistant before it is used.

88. **d** – This is an **UNNECESSARY** question. Trust records need to be kept regardless of how the monies are handled.

89. **c** – A broker is to maintain a trust fund account separate from their business account to avoid **commingling** and **converting** funds. Here, both answer selections B and D are reasonable alternatives, although they are not the most precise and best option available.

90. **d** – A buyer has a statutory **two-year** period to pursue a seller’s agent for money losses for their failure to disclose material facts.

91. **c** – A resident manager or caretaker is required for apartment complexes of **16 units or more**.

92. **d** – The **safety clause** in an exclusive listing affirms the agent’s right to a fee when any of the conditions provided as answer selections occur.

93. **d** – An **exclusive right to sell listing** may last for whatever period of time is agreed to by the seller and broker. There is no specified length of time that sets a threshold for an exclusive listing. Different property types, locations or market condition may affect the mutually agreed-to length of time.

94. **a** – An **exclusive right to sell listing** is required to have a **specified termination date** that is agreed to by the participants.

95. **a** – An irrevocable right to purchase a property for a specific price during a specified period of time is an **option to buy**. Answer selection **D. right of first refusal**, though similar, refers to an opportunity held by someone (often a tenant or neighbor) to purchase the property under the same price and terms offered by a third party.

96. **b** – This is a **NOT** question. Once the offeree (seller) has notified the offeror (buyer) that the offer has been accepted, it **cannot be revoked**.

97. **b** – Brokers and agents are required to complete **45 hours** of CE every four years in order to maintain their DRE license.

98. **d** – A salesperson has a **written contract** with their broker that specifies what the commission split will be. The commission split is not set by law but through negotiations between the agent and employing broker. Answer selection **B. an express agreement** is applicable in some cases, but may be either written or verbal and is thus not the best answer.

99. **a** – Brokers are obligated to perform a competent visual inspection when completing the mandated **Transfer Disclosure Statement (TDS)** form and disclose any known material facts that may affect the buyer’s decision to buy the property. A broker is not required to perform any of the activities described in the other answer selections.

100. **d** – It is ultimately the **seller’s responsibility** to deliver the **Transfer Disclosure Statement (TDS)** to the buyer.

101. **d** – The holding of the **Easton v. Strassburger** court case requires sellers and their agents to disclose all material facts about a property to a buyer as soon as practicable. This is the case which prompted the creation and implementation of the **Transfer Disclosure Statement (TDS)** form.
102. d – Sellers in certain transactions do not need to use the statutory **Natural Hazard Disclosure (NHD)** statement to make their property disclosures.

103. c – There are two protected types of **senior housing**. The minimum age limit is either **55** or **62**. The occupancy requirements are also different between the two types.

104. b – This is a **NOT** question. The only answer choice that is not a violation of real estate law is the **location of her office in her home**. All other identified activities are impermissible.

105. c – **Commingling** is the mixing of personal funds with client or third-party funds, which includes holding a deposit check uncashed at the broker’s discretion. Answer selection **A. Conversion** requires the broker’s personal use of client monies. The other answer selections have nothing to do with the question.

106. c – **Alienation** refers to the ability to transfer property. Therefore, **alienable title** is one that can be conveyed.

107. d – **Title insurance** is a form of **indemnity insurance** by which a title insurance company **holds harmless** a person who acquires an interest in real estate against a monetary loss caused by an encumbrance on title that is not listed in the policy and the insured was unaware of when the policy was issued. The title insurance company then **reimburses** the insured for a later claim.

108. d – This is an **EXCLUDED** question. There are no title insurance policies that will insure against **zoning or regulation disputes**.

109. c – The **changing of the market** from being advantageous to a seller or buyer will only affect price. In a buyer’s market, buyers maintain the competitive advantage as prices historically will go down.

110. a – The **principle of conformity** states that highest values are achieved by a degree of similarity in the style, size and quality of a property. Those properties that are more improved than the conforming level suffer a loss of value. This is called **regression**.

111. d – This is an **EXCEPT** question. **Functional obsolescence** is either out-of-date, inadequate amenities that do not meet market standards, or overimprovements for which the market refuses to pay the full cost as an amenity. Functional obsolescence is not a matter of maintenance.

112. d – The **Agency Law Disclosure** is to be attached to a purchase agreement or exchange agreement. It is not required on a month-to-month rental agreement.

113. d – A listing broker is to disclose all known **material facts** regarding the property to potential buyers when showing a listed property. The only exception is confidential personal or financial information about the seller, or other legal limits placed by the seller.

114. d – This is an **EXCEPT** question. For an **in-house sale**, the listing broker cannot represent only the buyer. An in-house sale refers to one in which the broker or their salespersons are working with the seller and the buyer.

115. c – Residential use zoning is labeled with an **R**. Multiple units will have a number following the **R** other than 1, the precise number determined by each city or county.

116. c – **Ratification** is the adoption or approval of an act performed on behalf of a person without previous authorization after the acts have been performed, such as the approval by a principal of previously unauthorized acts of an agent. Agency requires **mutual consent**.

117. d – None of the provided answer selections are required to create a valid agency relationship. For example, an **ostensible agency** is neither written nor express. Further, an agency relationship may be implied or created by a verbal agreement.
118. c – Finders and brokers, as well as brokers and the public, are capable of being in agency relationships.

119. b – This is an EXCEPT question. The termination of an easement may occur for any of the reasons cited in the answer selections, except the release by the servient tenement. The servient tenement is the party burdened by the easement and they cannot unilaterally terminate the easement.

120. a – The developer is responsible for the installation of off-site improvements, such as roads, curbs, gutters and sidewalks, as well as utility hook-ups, fire hydrants and parks in a subdivision.

121. d – A pledge agreement is the document used to secure a loan using another loan as security where possession is relinquished. This is similar to hypothecation, which also pledges a loan or property as security, yet possession is retained.

122. c – A lender is required to provide buyers a Loan Estimate within three business days of the lender’s receipt of the application. The Loan Estimate, which became effective October 3, 2015 under the TILA-RESPA Integrated Disclosure (TRID) rules, states the mortgage terms and details quoted by the lender.

123. c – To die intestate means to pass away without a will. If a property owner dies intestate, the probate court will award the estate to the spouse and any children once all creditors have been paid.

124. b – The Real Estate Settlement Procedures Act (RESPA) regulations apply to one-to-four unit residential properties. Most disclosure and consumer protection laws are written for this specific type of targeted property.

125. d – Trust accounts are designed to separate client monies from brokerage business funds. Commingling, the mixing of client monies with other funds, is the act most frequently disciplined by the Department of Real Estate (DRE).

126. b – As with a personal checking account, reconciliation refers to a broker balancing a bank statement with the account ledger. Accounts are generally reconciled on a monthly basis.

127. b – The failure to deliver the statutory Transfer Disclosure Statement (TDS) form to a buyer prior to the close of escrow gives the buyer the right to cancel the transaction.

128. d – Answer choices A through C describe a tenancy-at-will. A tenancy-at-will, unlike tenancy-at-sufferance, is done with the owner’s permission. Typically, this follows the termination of a lease and will evolve into a periodic tenancy if continued beyond a short duration. However, the tenancy is not limited to a specific duration of time no greater than one year.

129. c – The Transfer Disclosure Statement (TDS) is required on the sale of all one-to-four residential unit properties. The TDS is a mandatory disclosure prepared by a seller and given to prospective buyers setting forth any property defects known or suspected to exist by the seller. It is generically called a condition of property disclosure.

130. a – When a broker exercises an option to buy they hold during the listing period in order to resell the property to an existing buyer, the broker violates their fiduciary responsibility to their client. In this circumstance, the broker has received an improper secret profit.

131. b – An option is a right given for a consideration to another by a property owner to purchase or lease a property as agreed within a specified time without obligating the person who receives the right to exercise it. Thus, an option prevents the seller from selling the property to another during the term of the option. Further, it obligates the seller to perform if the option is exercised.

132. b – Only when the option is exercised does it bind both parties to the transaction.
133. **c** – In California, when a married couple buys property jointly, it is presumed to be **community property**. This is known as the community property presumption.

134. **b** – When a non-licensee unlawfully performs real estate services for which a license is required, the **local district attorney** is responsible for adjudicating the violation. As the individual is not a licensee, prosecution is beyond the scope of the Department of Real Estate (DRE). Further, a federal authority has no jurisdiction when an unlicensed person performs a task requiring a state license. A county sheriff is similarly not tasked with enforcing crimes of this nature.

135. **c** – The required lending disclosures under the **Real Estate Settlement Procedures Act (RESPA)** and the **Truth-in-Lending Act (TILA)**, such as the TILA-RESPA Integrated Disclosure (TRID), must be provided to borrowers at no cost.

136. **d** – Both the lender and the trustor (borrower) benefit from the existence of an **impound account** since it guarantees the necessary funds will be available for property taxes and insurance when they are due.

137. **d** – If a buyer asks the broker for permission to move into a vacant house prior to the close of escrow, the broker needs to **ask the seller for permission** before granting access to the buyer. Until escrow closes, the property belongs to the seller. Thus, the seller is liable and responsible for whatever occurs on the property, including any injuries and property damage. Further, if escrow fails to close, a dispute may arise regarding any alterations the buyer made to the property.

138. **c** – The **authority of the broker**, or the limits to that authority, are determined by what the **client grants**. For example, if the client insists on being present during showings of the property, this condition limits the authority of the broker.

139. **d** – This is a **NOT** question. All of the answer selections will terminate the agency relationship, though some have negative consequences. For instance, if a principal revokes the agency before the listing has expired, the principal will be liable to the broker for money losses.

140. **d** – The loss of depth for any reason will most likely increase the **price per square foot** of the property since, though the value of the lot may decrease, it will not diminish proportionately with the reduction in size. For example, a rectangular residential lot that is 60 feet across the front and 200 feet deep (12,000 square feet total) has a value of $360,000, or $30 per square foot. If the depth loses 50 feet, either through natural causes or eminent domain, the lot would not lose a proportional $30 per square foot of its value. The now smaller lot (9,000 square feet) may still be worth $360,000, with an increase in the price per square foot to $40.

141. **d** – When making property comparisons for the **market approach**, the appraiser considers the **entire property** and the immediate area, including its location, schools and other off-site elements that affect value. Answer selections A and C are related to the income approach, not the market comparison approach. Answer selection B is used for the cost approach and is employed only for specific types of properties, such as warehouses.

142. **c** – **Remodeling** is done to a property to correct **functional obsolescence** which limits the practical use of a property. The functionally obsolete element needs to be updated through remodeling, not simply resolved with repairs or the replacement of an item with the same thing.

143. **c** – The **sheet metal** on the edge of the roof and surrounding various exhaust pipes extending above the roof is called **flashing**.

144. **a** – Wood shake roofs feature **open roof sheathing** to allow air to circulate. None of the other answer selections share this design.
145. a – **Property** is broadly defined as rights or interest which a person has in a thing owned. Property may be classified as **real** or **personal**. Answer selections B and C are both false as trade fixtures are personal property and all other fixtures are real property.

146. a – This is a **LEAST LIKELY** question. A **standard policy** of title insurance is least likely to require the title insurance company physically inspect the property. Note that answer selection B. **Abstract of title** and D. **Preliminary title report** are not insurance policies. Answer selection C. **Extended coverage policy** suggests something greater than the standard policy, and thus would be more likely to entail a physical inspection.

147. a – The **transfer tax** is based on the cash and new debt created in the transfer. In this question, the amount is **$100,000** ($400,000 purchase price – $300,000 assumed note and trust deed). Determine how many times $500 factors into $100,000: $100,000/$500 = $200. Multiply this amount by the tax rate: $200 x .55 = $110.

148. d – When multiple offers are submitted on a listed property around the same time, the **fiduciary duty** of the listing agent requires them to present both offers to the seller at the same time so the seller may make a decision while being aware of the existence of both offers.

149. d – A title company performs a **title search** by viewing the records of the county clerk’s office, county recorder and the secretary of state. A search of the public records of all entities is required to determine a property’s **chain of title** and any relevant records for the buyer or seller (e.g. an income tax lien). A federal registry of any sort of least likely to contain information relevant to a property’s title.

150. b – The **Real Estate Settlement Procedures Act (RESPA)** applies to residential one-to-four unit properties only. RESPA is federal legislation prohibiting brokers from giving or accepting referral fees if the broker or their agent is already acting as a transaction agent in the sale of a one-to-four unit residential property which is being funded by a purchase-assist, federally-related consumer mortgage. Thus, only answer selection B falls under RESPA.