

RE TUTOR #3 OVERALL QUESTIONS

By: Roger K. Sherrill, RE Tutor

1. After showing a property a number of times and not securing an acceptable offer, the broker decides to buy the property himself. What must he do?
 - a. wait until listing expires and then make offer to purchase
 - b. make his true position known to the seller**
 - c. wait until he receives an offer and then offer a higher price
 - d. wait for at least 30 days and then offer the full asking price
2. A subagent of a seller would BEST be described as:
 - a. special agent**
 - b. general agent
 - c. buyer's broker
 - d. universal agent
3. The broker's responsibilities in presenting to the seller a written offer to purchase include all of the following EXCEPT:
 - a. making known to the seller all written offers before seller accepts an offer
 - b. making known the ramifications and practical effects of an offer
 - c. presenting only the offers that are within 10 percent of the asking price**
 - d. presenting all offers as rapidly as they are received
4. The position of trust assumed by the broker as an agent for the principal is described MOST accurately as a:
 - a. trustee relationship
 - b. trustor relationship
 - c. confidential relationship
 - d. fiduciary relationship**
5. A seller tells her broker that termites have destroyed the floor and that the swimming pool is in violation of the city setback requirements. What must the broker's salesperson disclose to a prospective buyer?
 - a. the condition of the floor only
 - b. the pool violation only
 - c. both**
 - d. neither, if the seller asks that it be done that way
6. Regarding financial agreements made by the client, the broker:
 - a. need not see that those agreements are put in writing
 - b. is limited to setting the sales price and brokerage fee
 - c. may delegate this responsibility to the sales manager
 - d. is ethically bound to see that all contracts express the specific written agreement of parties concerning the details of the transaction**
7. The commission rate for the sale of real estate is determined by:
 - a. silent agreement among brokers in a local area
 - b. fixed schedules approved by the state licensing commission
 - c. scarcity of real estate for sale
 - d. negotiation between the broker and the seller**

8. An attorney-in-fact, in executing the powers given to her under the provisions of a general power of attorney, usually has the right to do all of the following EXCEPT:
- a. **encumber the principal's property with the attorney-in-fact as beneficiary**
 - b. sign the principal's name
 - c. record the power of attorney in the county where the principal's property is located
 - d. collect money for the principal
9. An agent with a valid listing is generally considered to have earned a commission:
- a. only if title is transferred
 - b. when an offer has been secured from a prospective buyer
 - c. **when a ready, willing and able buyer who offers to buy on the principal's listing terms has been produced**
 - d. only when the principal signs a contract of sale
10. The prime obligation of an agent to the principal is:
- a. mutual trust
 - b. reverence
 - c. **loyalty**
 - d. thrift
11. A real estate broker who has entered into an agency contract with a seller may delegate responsibilities under the contract to one or more salespeople because:
- a. all agency contracts are assignable
 - b. the contract always contains this specific authority
 - c. **this is an implied authority arising out of custom**
 - d. the real estate licensing agency permits this
12. The broker inspected the seller's house and discovered it was 600 square feet larger than the tax records had indicated. The extra area is an addition built without a building permit. The broker should tell the client all EXCEPT:
- a. the government could force the seller to remove the 600 square foot addition
 - b. the seller should disclose this fact to any prospective buyer to avoid any claim of misrepresentation
 - c. **because the addition has already been completed, it is no longer relevant to disclose this fact**
 - d. the new buyers should be informed that they could be forced to tear down the illegal improvement
13. Real estate company has a listing for \$90,000. Mr. Fritz makes an offer for \$105,000. Without the knowledge of the seller, Real estate company can do which of the following?
- a. offer to buy the property through a nominee for \$90,000
 - b. suggest that the broker reduce the offer to \$90,000
 - c. buy directly from the seller for \$95,000 and the next day resell to Mr. Fritz for \$105,000
 - d. **present the \$105,000 offer to the seller**

14. Under which of the following conditions might a broker be liable for misrepresentation for negotiations with a prospective buyer?
- broker states the land area is approximately one acre, when it is actually 44,000 square feet
 - broker fails to mention that a structurally unsound grocery store is a nonconforming use**
 - broker passes on accurate information to the buyer that was given to him by the seller
 - broker fails to disclose the height of the building
15. A broker owes an obligation to do which of the following?
- divide the commission with another broker chosen or preferred by the buyer
 - divulge to the buyer the lowest price at which the seller will sell
 - present to the principal all written offers the broker receives, including all of the terms and conditions of each offer signed by a prospective buyer**
 - keep the property in top condition
16. As the commission for negotiating the sale of a \$1 million dollar hotel, a broker received title to a parcel of land valued at \$30,000. The same day that the escrow on the hotel closed, the broker sold the land for \$40,000. Which of the following is true about the broker's actions in selling the land?
- such action violates the licensing law because of the secret profit
 - such action violates the licensing law if the broker does not give written notice to the hotel client of the sale
 - it is illegal to receive land as a commission
 - it is proper behavior because the broker did not resell the land until after title to it was received**
17. Listing Broker receives an offer that fully matches the listing terms. Before presenting the offer, the broker receives two more offers, one for less than the listing price but for cash, and one for more than the listing price but seller to take back a mortgage. What is the BEST approach for the listing broker?
- present the offer for the highest price
 - present all offers at the same time**
 - present the cash offer first
 - present the offers in the order received, one at a time
18. Before obtaining a listing on a property that shares a driveway with the adjacent house, the owner insists that the broker not mention this fact to any prospective purchaser. Regarding this problem, the broker should:
- inform a prospective buyer in spite of the seller's insistence
 - not mention this fact unless a buyer asks
 - refuse the listing if he can't persuade the owner to disclose**
 - do as the seller asks
19. Concerning a sale between a buyer and seller, the real estate licensee might:
- advise them to have the title checked**
 - tell them the legal effect of the liens contained in the title commitment
 - recommend the method of holding title
 - advise the buyer against the use of a buyer's agent

20. A broker brought a buyer and seller together on a property deal and opened an escrow with a \$500 deposit. Later the buyer and seller decided to rescind the contract and did so. How much commission did the broker earn?
- \$500
 - \$1,250
 - full commission**
 - nothing
21. A contract which provides for the payment of a commission to the listing broker, regardless of who sells the property, is called a(n):
- net listing
 - open listing
 - exclusive agency listing
 - exclusive right to sell listing**
22. A property is listed with a broker at \$165,000, although the broker is told that the owner will accept \$155,000. A buyer prefers to sign an offer for \$155,000, but indicates \$165,000 could be offered. The broker should:
- refuse to submit the \$155,000 offer
 - suggest a compromise of \$160,000
 - persuade the buyer to make a \$165,000 offer**
 - persuade the buyer to go to another broker
23. Which of the following is true?
- a broker must get the signatures of all owners on the listing form to be entitled to any commission
 - a broker should not advertise without the written authorization of the owner**
 - a broker should place a sign on the property without written authority
 - all other brokers showing the property also must have written authority to do so
24. Which about listing brokers is true?
- a listing broker can tell a prospective buyer that the seller will accept less than the asking price if the seller will, in fact, accept the lower figure
 - a listing broker can refuse to transmit a "too-low" offer to the seller
 - the broker needs to present only full price offers
 - if the offer is not going to be full price, the broker should still encourage the buyer to make a written offer**
25. The owner of a property who signed a 90 day listing with a broker was killed in an accident before the broker procured a buyer. This listing is:
- binding on the owner's heirs to carry out the promises
 - no good as an authorization, but binding if a buyer is secured later
 - terminated immediately on death**
 - still in effect because the owner's intent was clearly stated
26. A broker can take part of the commission out of the client's trust account prior to closing:
- on seller's permission
 - provided there are enough funds left over to complete the closing
 - at any time after the deposit is placed in escrow
 - only on written consent of the buyer and seller**

27. When a salesperson enters into a listing contract as agent of a broker, the salesperson must do all of the following EXCEPT:
- a. **execute the contract by signing the broker's name**
 - b. give a copy of the listing contract to the owner
 - c. carefully explain all of the terms of the contract to the seller
 - d. give a copy of the listing contract to the broker with whom the salesperson is associated
28. A listing broker can do which of the following without written approval of the seller?
- a. buy the property directly from the seller/client, then resell it immediately to a buyer for a higher price
 - b. have a friend buy the property directly from the seller/client and resell it immediately to a buyer and split the profit with the friend
 - c. quote a price considerably lower than that specified by the listing
 - d. **encourage a buyer to submit a written offer even if it doesn't match the asking price**
29. If the real property owner is a corporation, then the individual authorized to sign the listing agreement is the:
- a. president
 - b. secretary
 - c. **person named by corporate resolution**
 - d. treasurer
30. The type of listing in which the broker and seller are LEAST likely to know the amount of money that will be received as commission for the sale of the property is a(n):
- a. open listing
 - b. exclusive authorization to sell
 - c. multiple listing
 - d. **net listing**
31. A broker has MOST likely earned a commission in which of the following cases?
- a. **the broker has communicated the acceptance of the seller to the buyer**
 - b. the broker has obtained a substantial deposit with an offer
 - c. the broker presents a written offer to the seller
 - d. the broker finds a buyer who communicates an interest to pay the full asking price
32. The seller's broker was working with a buyer under an exclusive authorization to sell listing and presented an offer at less than the listed price. At the same time, the owner was dealing with another buyer who offered more money for the property and all in cash. The owner sold to the buyer who paid all in cash at the higher price. The broker is entitled to:
- a. a reasonable commission based on the offer
 - b. stop the sale of the property
 - c. void the sale
 - d. **a commission based on the higher selling price**

33. After the sale, the listing broker refused to split the commission with the buyer's broker as agreed. Who is responsible for paying the buyer's broker?
- listing salesperson
 - listing broker**
 - seller
 - escrow service
34. A broker secured a signed offer with a \$5,000 deposit on the exact terms of a listing, but the seller refused to accept it. Which of the following is true?
- the broker could maintain a suit for commission in court**
 - the buyer could maintain a suit to force the seller to sell because there was compliance with the listing
 - the broker should tell the seller that the seller must accept
 - the broker cannot collect a commission in excess of \$5,000
35. Two months prior to the expiration date of an exclusive right to sell listing agreement, the owner decides not to sell the property and orders the broker to stop marketing the property. Which statement is CORRECT?
- the broker can elect to sue the owner for breach of contract**
 - the broker can keep showing the property to interested buyers
 - the broker is the procuring cause of any sale
 - the listing remains valid during any protection period
36. If a buyer presents a broker with an offer at the full listing price contingent on financing:
- the broker has earned his commission
 - the broker, provided so authorized in writing by the seller, could accept the offer and bind the principal**
 - the buyer is obligated to buy even if the contingency is not satisfied
 - contingencies have no effect on the potential of the broker's earning a commission
37. In an exclusive listing with a 120 day expiration period, the owner sells the property to one of the broker's previous referrals on the 121st day. What commission is the broker entitled to receive?
- none**
 - 50 percent
 - 75 percent
 - full
38. Each of the following is an essential element of every real estate sales contract EXCEPT:
- acknowledgment**
 - legality of object
 - consideration
 - reality of consent
39. Which term BEST describes a court order to carry out the terms of a signed real estate sales contract?
- specific performance**
 - lis pendens
 - attachment
 - subpoena

40. A written and signed real estate contract can be voided for which of the following reasons?
- one of the parties failed to read the instrument before signing it
 - one of the parties was an unmarried minor when the contract was signed**
 - one of the parties became sick
 - the buyer failed to include a Social Security number
41. A buyer withdraws a written offer before the seller has signed. What is the broker's position in the transaction?
- the broker splits earnest money with the seller
 - the broker charges the commission later
 - the broker gets nothing**
 - the broker is entitled to expenses
42. The statute of frauds, as applied to real estate sales contracts, prescribes all of the following EXCEPT that:
- all contracts for the sale of real property, to be enforceable, must be in writing
 - such contracts must be signed by the party to be charged thereby
 - oral contracts are valid and enforceable**
 - leases for periods of more than three years must be in writing
43. If an option contract is duly executed by seller and buyer, which of the following is true?
- the owner may or may not sell
 - the buyer must buy
 - the owner must sell, but the buyer need not buy**
 - it is specifically enforceable by both parties
44. Reality of consent in a contract means all of the following EXCEPT that:
- the terms of the contract must express the true intention of the parties
 - the parties' consent to the contract must be genuinely given
 - both parties give their consent at closing**
 - both parties are certain and clear about which is being offered and what is being accepted
45. Which of the following statements concerning the assignment of a sales contract is correct?
- the assignment of rights may be made only by the original seller
 - sales contracts generally may be assigned**
 - the contract becomes binding only on the assignor
 - all contracts are assignable
46. In theory, if a real estate broker threatens to injure a buyer's relative unless the buyer signs the offer to purchase, the contract is voidable because of the broker's use of:
- undue influence
 - duress**
 - prejudice
 - deceptive trade practices
47. Acceptance of a sales contract is accomplished when the:
- salesperson signs the sales contract
 - offeree signs the sales contract**
 - offeror signs the sales contract
 - broker signs the sales contract

48. A prospective purchaser has a legal right to demand which of the following:
- a copy of the broker's employment contract with the seller
 - the return of the earnest money deposit prior to the seller's acceptance of the offer to purchase**
 - copies of any offers from other interested buyers
 - a copy of any appraisal that was previously done on the property
49. When a seller rejects an offer:
- such rejection should be noted on the offer by the seller or broker and a copy returned to the prospective buyer**
 - it constitutes a counteroffer
 - the buyer will forfeit any deposit submitted with the offer
 - the broker is still entitled to a commission
50. What is true concerning an earnest money deposit?
- it serves as a source of payment of damages to the seller in case of a buyer's breach**
 - it is essential to the contract for the sale of real property
 - it must equal 10 percent of the purchase price
 - it may be kept by the broker as compensation if the offer is accepted
51. A rescission of a contract is a(n):
- ratification
 - return to the status quo**
 - amendment to the terms of a contract
 - escrow arrangement
52. Hank gives Charlotte a check for \$4,000 when Hank signs a contract to purchase Charlotte's real property. The terms of the purchase are the \$95,000 sales price paid as follows: \$30,000 in cash from Hank and \$65,000 by way of a first mortgage for 30 years at 10 percent interest. Which of the following terms BEST describes the \$30,000?
- down payment**
 - hand money
 - earnest money deposit
 - binder
53. If no date of possession is mentioned in the sales contract, the buyer should receive possession:
- on the signing of the contract
 - when the seller vacates the property
 - on signing the deed
 - on the transfer of title**
54. Which is true concerning real estate sales contracts?
- seller can be sued for "specific performance" if a contract is not performed**
 - seller must sign an agreement to sell if the offer's terms are exactly in accordance with the listing agreement
 - the sole remedy for default of the buyer is a suit for specific performance
 - they must be on a printed form to make them binding
55. All of the following are true about liquidated damages EXCEPT that they are:
- enforced unless excessive in amount
 - fixed and certain in amount
 - limited to 2 percent of purchase price**
 - a discharge of the obligation

56. A buyer offers to buy property by assuming a \$75,000 first mortgage. If, at closing, it turns out the loan balance is only \$70,000, the:
- buyer must pay the \$5,000 in cash
 - seller must accept a \$5,000 note from the buyer
 - seller must give a second mortgage
 - buyer can rescind the transaction**
57. When a purchaser signs an offer allowing the seller three days in which to accept the offer:
- the purchaser may not withdraw the offer before the expiration of the three days
 - the purchaser may withdraw the offer only on written notice prior to the seller's acceptance
 - the buyer puts up earnest money so that the seller may keep it if the buyer withdraws his offer
 - the buyer can revoke at any time prior to acceptance**
58. In a contract of sale, the buyer:
- must make an earnest money deposit
 - will owe the broker a commission when the contract is accepted, even if the sale is never consummated
 - will lose the earnest money if she withdraws prior to acceptance
 - must give valuable consideration**
59. When a husband and wife desire to buy real property in both their names for cash and the husband is not available to sign the purchase contract, which is true?
- the purchase contract is voidable if only the wife signs
 - the contract is void unless both husband and wife sign the contract
 - the husband must sign prior to closing
 - it is only when they desire to sell the property that both signatures are required**
60. All of the following are true under a contract of sale in which the date of occupancy is later than the settlement date EXCEPT that the:
- buyer acquires legal title on settlement
 - contract should provide whether the seller is to pay any rent
 - buyer has the risk of loss
 - buyer will withhold the downpayment**
61. Which of the following BEST describes a clause in a sales contract providing that unless the buyer is able to obtain a new first mortgage the contract can be terminated?
- defeasance clause
 - subordination clause
 - habendum clause
 - contingency clause**
62. At what stage in the typical real estate transaction is the sales contract signed by buyer and seller?
- prior to the issuance of the buyer's title insurance policy**
 - immediately after the lender commits to the loan
 - at the same time as recordation
 - before the listing contract

63. Which is true of a right of first refusal given to a prospective buyer?
- the seller must sell if the buyer decides to buy
 - the seller must accept the buyer's offer
 - the buyer must buy if the seller decides to sell
 - the seller must offer the property to the prospective buyer if the seller decides to sell**
64. The provision in a real estate sales contract that provides for loss of the buyer's deposit money in the event of buyer default is known as:
- liquidated damages**
 - nominal damages
 - punitive damages
 - release damages
65. For a contract of sale to be valid, which is essential?
- it must be in writing and signed by both buyer and seller
 - it must state an earnest money deposit
 - it must have the signature of the agents for the buyer and seller
 - it must state a purchase price**
66. A broker acting as a property manager of a building was instructed by the owner to paint the building for \$1,000. Without the owner's knowledge and consent the:
- broker could contract the job for \$800 and keep the extra \$200
 - broker could accept a rebate from the painter
 - broker could do the entire job and keep the \$1,000
 - broker could do nothing that was not within the scope of the employment contract**
67. All of the following should be included as fixed operating expenses in the budget for property management EXCEPT:
- property manager's fees
 - ceiling replacement**
 - fuel costs
 - maintenance
68. A properly drawn property management contract should contain all of the following EXCEPT:
- a legal description of the property**
 - the terms and conditions of the employment
 - an outline of the expected duties
 - the scope of the authority
69. Property managers are responsible for all of the following EXCEPT:
- protecting the condition of real estate
 - maximizing income from real property
 - handling rents
 - drafting original legal documents for leasing space in the building**
70. A properly drafted property management agreement should contain all of the following EXCEPT:
- names of the owner and the manager
 - a requirement that the manager provide periodic reports to the owner
 - outlined duties of the property manager
 - names of tenants in occupancy**

71. All EXCEPT which of the following are true regarding property managers hired to keep the property fully occupied?
- a. **their management agreements must be in writing to be enforceable in court**
 - b. one of their main functions is to protect their principal's investment
 - c. they have a fiduciary relationship with the owner
 - d. their fees should be clearly outlined in the property management agreement
72. A long term lease is generally to the owner's advantage in all of the following cases EXCEPT:
- a. when negotiating a commercial lease with an escalation clause
 - b. when the owner has made significant alterations in the space to suit the tenant
 - c. **when economic times cause excessively high demands for rental space**
 - d. during predicted economic downturns and recessions
73. The interest that a landlord has during a valid tenancy is known as a:
- a. right to profits
 - b. **reversionary interest**
 - c. right of reentry
 - d. tenancy at sufferance
74. Under a net lease, the tenant usually pays for all of the following expenses EXCEPT:
- a. utilities
 - b. **depreciation**
 - c. taxes
 - d. insurance
75. A lease of land only, on which the tenant agrees to construct a residence within a certain period of time is BEST called a:
- a. **ground lease**
 - b. gross lease
 - c. net lease
 - d. percentage lease
76. The sale of property that is under a long-term lease has which of the following effects?
- a. it terminates the lease on 45 days notice by the new owner
 - b. **it has no effect on the term of the lease as far as the tenant is concerned**
 - c. it cannot be made unless the present tenant is notified of the intention to sell and given an opportunity to terminate the lease
 - d. it terminates the lease, and the tenant must negotiate a new lease with the new owner
77. In a straight percentage lease, which of the following statements is true?
- a. **the owner usually has the right to examine the lessee's books**
 - b. there will be a minimum fixed rent in addition to percentage rent
 - c. the tenant must pay expenses of the property such as taxes
 - d. the tenant may choose any type of accounting system

78. The right of first refusal gives the tenant which of the following?
- the first choice to bid on the property on foreclosure
 - the right to terminate the lease on 30 days' notice
 - the right to re-rent (is binding on the lessor)
 - the right to get first choice to re-rent or buy if the owner decides to rent or sell**
79. A tenant rents a house at the beach from July 1 to August 31. This is known as a(n):
- periodic tenancy
 - estate for years**
 - tenancy at sufferance
 - tenancy at will
80. A tenancy at will is a tenancy of:
- definite duration that either landlord or tenant can terminate at will
 - indefinite duration that the landlord can terminate at will
 - indefinite duration that either landlord or tenant can terminate at will**
 - definite duration that the tenant can terminate at will
81. By definition, an "estate for years":
- must last for a year or more
 - must be for at least two years
 - is for a fixed term, whether a week, a month or a decade**
 - requires a written lease
82. Which of the following statements about leases is true?
- a gross lease is one in which the rent is based on an agreed percentage of the gross income
 - a net lease is one in which the rent is based on a fixed percentage of the net income
 - a percentage lease requires that the tenant pay a percentage of the property taxes on the property
 - a gross lease is one in which the landlord pays the expenses normally incurred with property ownership**
83. Tom buys a small office building in which there are several existing two-year leases for commercial space. Which is true?
- The lessees can now be forced to pay higher rents to Tom
 - Tom takes title to the property subject to the terms of the lease**
 - The leases are terminated on the sale of the building
 - Tom may renegotiate the lease at his option within the first 60 days
84. Which of the following is true about the security deposit in most residential leasehold situations?
- it must consist of the first and last month's rent
 - it can be applied only to cover physical damage caused to the premises
 - it must be returned at any time within one year
 - it may be put in an interest bearing account**
85. When leased premises reach a physical condition such that the tenant is unable to occupy them for the purpose intended, the situation is legally recognized as a(n):
- dispossess eviction
 - actual eviction
 - constructive eviction**
 - passive eviction

86. In the absence of specific agreement, rent on a commercial lease is due:
- on the first day of the rental period
 - on the last day of the month
 - whenever the tenant wants
 - at the end of the rental period**
87. A percentage lease is one:
- that provides for the broker's percentage of commission
 - in which the usual rent is based on the net profits of the tenant
 - that always allows the tenant to cancel the lease if his or her income falls below a desired amount
 - in which the tenant's usually rent is based on gross receipts**
88. A lessee is responsible for all of the following on the leased premises EXCEPT:
- waste by a third party
 - injury to a third party
 - hazardous holes or cracks in the sidewalk**
 - damage to the carpeting of the dwelling
89. In which one of the following situations can the landlord take title to the tenant's bar stools, tables and chandeliers?
- commencement of the lease
 - tenant's default for two months
 - tenant's bankruptcy
 - failure of the tenant to remove these items after the lease is terminated**
90. If a lessee defaults on a lease and abandons the property in good condition, the lessee could be held liable for which of the following amounts?
- the balance of the rent plus forfeiture of the security deposit
 - the balance of the rent plus the cost to find a new tenant
 - the balance of the rent**
 - overdue rent less legal fees
91. The conveyance of an estate by lease is BEST described as a:
- devise
 - demise**
 - deed
 - decree
92. The tenant usually is responsible for all of the following under a net lease EXCEPT:
- utilities
 - insurance
 - taxes
 - depreciation**
93. Which of the following parties to a long-term ground lease is the holder of the leased fee?
- lessor**
 - lessee
 - grantee
 - grantor

94. In the event a lessee, without good reason, abandons leased premises, leaving it in good condition, to what degree is the lessee normally liable to the lessor?
- a. for rent payable to the date lessee leaves the premises, plus security deposit
 - b. for rent payable to the date lessee leaves, plus security deposit and a percentage of rent payable for balance of term
 - c. for rent due and payable for the remaining period of the lease**
 - d. for rent due and payable for the remaining period of the lease, plus the expense of locating a new tenant
95. State laws that regulate real estate securities are called:
- a. sunset laws
 - b. blue-sky laws**
 - c. SEC laws
 - d. RESPA laws
96. All of the following transactions involve the sale of a security EXCEPT:
- a. an investment contract
 - b. a condominium apartment with mandatory rental pool
 - c. shares in a limited partnership
 - d. the site of a commercial warehouse**
97. Which of the following security offerings is subject to the registration requirements of the 1933 Securities Act?
- a. a private placement offering to fewer than ten investors
 - b. a security offering only to bona fide residents in a single state
 - c. shares in a residential real estate investment limited partnership**
 - d. interest in a profit-sharing retirement plan