1. You are preparing a competitive market analysis on a vacant lot that you hope to list for sale. Which of the following approaches to value will be used in the development of the estimated value?

A. Cost approach  
B. Gross rent multiplier  
C. Income approach  
D. Sales comparison approach

The sales comparison approach is most applicable to the appraisal of vacant land. The cost approach is most applicable to the appraisal of special purpose properties such as a church. The gross rent multiplier is used as a substitute for the income approach in the valuation of a single-family home. The income approach is used in the appraisal of an income-producing property.

2. Which of the following comparables would be the most helpful in appraising a home?

A. A similar home sold for nonpayment of taxes.  
B. A similar property sold under duress.  
C. A similar home sold by a motivated seller to a motivated buyer.  
D. A similar home sold by an unwilling seller to an unsure buyer.

This relates to the "willing seller, willing buyer" concept of value.

3. The period over which a property may be profitably utilized is called its:

A. economic life  
B. amortized life  
C. income life  
D. net life

Economic life is the estimated period over which it is anticipated that a property may be profitably utilized.

4. Wear and tear to the load bearing members of a building would be classified as:

A. functional obsolescence-cururable  
B. physical deterioration-cururable
C. functional obsolescence-incurable  
D. physical deterioration-incurable

*Physical damage to the load bearing members of a building would usually be considered too expensive to repair. If it is too expensive to repair, it is classified as incurable.*

5. While the economy is experiencing inflation, interest rates:

A. drop and housing prices rise  
B. rise and housing prices drop  
C. rise and housing prices rise  
D. None of the above

*DURING INFLATIONARY PERIODS, INTEREST RATES AND HOUSING PRICES USUALLY RISE.*

6. When using the market-data approach to appraise a single-family home, recent sales are compared to the subject property as to:

A. capitalization rates  
B. exterior features only  
C. the entire property  
D. rental income

*THE ENTIRE PROPERTY IS EXAMINED FOR COMPARISON PURPOSES.*

7. A real estate commission is usually based on the:

A. listing price  
B. selling price  
C. down payment  
D. loan amount

*REAL ESTATE COMMISSIONS ARE USUALLY BASED ON A PERCENTAGE OF THE SELLING PRICE.*

8. The increase of value with the passage of time describes:

A. appreciation  
B. "return on" investment  
C. "return of" investment  
D. depreciation

*APPRECIATION IS A TEMPORARY OR PERMANENT INCREASE IN THE WORTH OR VALUE OF PROPERTY DUE TO ECONOMIC CAUSES, THE OPPOSITE OF DEPRECIATION.*
9. Which of the following statements does NOT correctly describe a fiduciary?

A. A fiduciary owes loyalty to the principal
B. A fiduciary must conform to the principal's legal instructions
C. A fiduciary is an agent
D. A fiduciary is a neutral third party

The broker has a fiduciary duty to work in the best interest of his/her client.

10. A broker secured a buyer for his principal and the seller accepted the offer presented through the broker. Under which type of listing would the broker not receive a commission from the principal?

A. net listing
B. open listing
C. exclusive listing
D. exclusive authorization and right to sell listing

A Net Listing is an employment contract in which the broker receives as commission all excess monies over and above the minimum sales price agreed on by broker and seller.

11. Mr. Seller signs an open listing on his home with five different brokers. In this case:

A. each broker has an opportunity to earn the entire commission
B. the brokers will split the commission five ways regardless of who sells it
C. the owner must pay a full commission to all five brokers when it sells
D. the owner must pay the first broker to take the listing no matter who sells it

An open listing is one given to any number of brokers who can work simultaneously to sell the owner's property. The first broker, to secure a buyer who is ready, willing and able to purchase at the terms of the listing, earns the commission.

12. Regarding a promissory note:

A. A promissory note secures the deed of trust
B. The deed of trust secures the promissory note
C. The promissory note is not part of the deed of trust
D. The grant deed secures the promissory note

The deed of trust secures the promissory note and the property. If payment is not made according to the terms of the note and deed of trust, the beneficiary may instruct the trustee to foreclose as set forth in the deed of trust.
13. Most real estate contracts contain preprinted clauses or spaces for information to be added in writing. In the interpretation of such contracts:

A. Printed parts take precedence over the written parts
B. The written parts and the printed parts are given equal consideration
C. **The written parts take precedence over the printed parts**
D. No changes or amendments to the printed clauses are permitted by law

*Written parts always take precedence over the preprinted parts.*

14. A parcel of vacant land is listed for $100,000, requiring 20% down with the seller to carry back the balance. The broker brings in a full-price cash offer, but the owner refuses. The broker is entitled to:

A. half of the commission
B. the full commission
C. a commission as a percent of the down payment
D. nothing

*Since the offer does not meet the exact terms of the listing, the broker is not entitled to any commission.*

15. Under a lease, the leasehold interest lies in the:

A. lessor
B. lessee
C. landlord
D. beneficiary

*A "leasehold interest" is the right to exclusive possession and use of real property for a fixed period of time held by the lessee. Remember: lessor (landlord), lessee (tenant).*

16. Which of the following requires real estate listings to be in writing?

A. Real Estate Law
B. **Statute of Frauds**
C. CAR
D. None of the above

*The Statute of Frauds generally requires all contracts for the sale of land or any interest therein (including listings) to be in writing.*
17. All of the following listings require that the broker be the "procuring cause" of the sale if he/she is to be entitled to a commission, EXCEPT:

   A. exclusive listing
   B. open listing
   C. **exclusive right to sell listing**
   D. None of the above

*Under an Exclusive Authorization and Right to Sell Listing, the listing broker is entitled to a commission if the property sells through the efforts of the broker or any other person. The broker is not required to produce a buyer or be the procuring cause to be entitled to a commission.*

18. As it relates to the field of real estate, the legal term "theft" would include all of the following EXCEPT:

   A. Entering into a home that is listed on the market and taking valuable items of personal property that belong to the owners
   B. Defrauding clients by siphoning funds from a broker
   C. **Defrauding lenders by signing another person**
   D. Defrauding investors by creating phony trust deeds and notes, selling them, and using the proceeds for the broker

*The word "theft" is a broad term that basically means the improper taking and carrying away of the personal property of another person and would apply to Answers A, B, and D. Answer C is forgery which is committed by altering a written document by improperly signing someone else's name to an instrument.*

19. Mr. Owner enters into an exclusive listing with Broker X. One week later, Broker X brings in a full price offer, but Mr. Owner refuses the offer. Seeking an action of Specific Performance would be an option for:

   A. the buyer
   B. the broker
   C. both the buyer and the broker
   D. **neither the buyer nor the broker**

*Specific performance is an action brought in a court of equity in special cases to compel a party to carry out the terms of a contract. There never was a contract between the buyer and seller since the offer was refused. Specific performance is not used to specifically enforce a contract to perform personal services, such as a broker's agreement to find a buyer.*
20. Broker Jones takes an exclusive listing on a property owned by three different people. Broker Jones takes the listing contract to each of their places of business to get it signed. Broker Jones must:

A. give a copy to the first owner who signs only
B. **give a copy to each owner when he/she signs**
C. give one copy to any of the three owners
D. get them together in one place to sign at the same time

*When there are multiple owners, the broker is required to provide a copy of the listing contract to each owner when they sign.*

21. A tenant signs a lease that stipulates that the lessee pays the property tax. This lease is probably a:

A. standard lease
B. sandwich lease
C. **net lease**
D. reverse lease

*Net Lease: A lease, usually commercial in which the lessee not only pays the rent for occupancy but also pays maintenance and operating expenses such as taxes, insurance, utilities and repairs. The rent paid is said to be "net" to the lessor.*

22. Which of the following can be recorded?

A. an Exclusive Authorization and Right to Sell Listing
B. an Exclusive Agency listing
C. **contracts of sale**
D. All of the above

*Listings cannot be recorded. Recording is used for written instruments affecting the title to real property, such as deeds, mortgages, trust deeds, contracts for sale, options and assignments.*

23. A broker brought in an offer but the listing agreement did not include an authorization to accept a deposit. Which of the following is correct?

A. The authorization is implied
B. The broker cannot accept the deposit
C. **If the broker accepts the deposit, he/she would do so as the agent of the buyer**
D. None of the above

*If the scope of authority of a real estate broker is limited to just producing a buyer, the broker does not have the authority to collect a deposit on behalf of the seller. When an agent does*
collect a deposit in this case, the agent is acting as agent for the buyer (offeror) and not the seller.

24. Consideration may be:

A. money
B. work
C. a promise
D. All of the above

A consideration is the inducement to a contract. It is the cause, motive, or compelling influence which induces a contracting party to enter into a contract. Consideration means something of value in the eye of the law and considered as such by both parties. It may be money, services, or a promise, and consists of either a benefit to the promisee or a loss or detriment to the promisor.

25. Four months ago, a seller entered into a legally binding written contract to sell his property. Later, the seller refused to complete the transaction since he felt the value of the property would increase in the near future. Under these circumstances, the Statute of Limitations could affect the rights of the buyer to prevail in a civil action due to a breach of the written contract within:

A. 90 days
B. one year
C. two years
D. four years

A right rising out of a written contract must be pursued in court within four years of the default (breach), according to the Statute of Limitations.

26. Salesperson Beth took an offer to purchase from her buyer to Broker Smith’s office to present it. The offer included a $1,000.00 promissory note from the buyer as the earnest money deposit. Broker Smith should do which one of the following upon receipt of the offer:

A. Tell Beth she wasted her time and that he cannot accept the offer without cash or a check for the deposit
B. Tell Beth the note is not good enough because it did not come with a deed
C. Tell Beth she should have called him first as not to waste her time, so he could call his seller to see if they would consider an offer with a promissory note
D. Tell Beth that a promissory note is just as good as cash or a check for the deposit and present the offer to his seller

When acting as a listing agent, you must present or cause to be presented to the owner of the property, any written offer to purchase received unless expressly instructed by the owner not to
present such an offer, or unless the offer is patently frivolous. The earnest money deposit is usually in the form of a personal check, money order or cashier's check, but may take the form of a promissory note.

27. Which of the following would not be a valid reason for the seller to terminate a listing?

A. The broker  
B. **The seller declared bankruptcy**  
C. The broker was declared mentally incompetent prior to the listing  
D. The broker was declared mentally incompetent after the signing of the listing  

*If the broker's license is revoked, he cannot contract with the general public; therefore, the listing would be terminated. A contract becomes void when one of the parties is judicially declared incompetent. The fact that the seller declared bankruptcy could make the sale more difficult, but would not be grounds for terminating the listing.*

28. During the term of an exclusive authorization and right to sell listing, the broker has his license revoked by the Bureau of Real Estate. To prove that he is entitled to a commission, he must prove all of the following EXCEPT:

A. He was licensed at the time the commission was earned  
B. The buyer and seller agreed to the sale during the listing term  
C. **The broker was the procuring cause of the sale**  
D. The listing was a legally binding agreement  

*Here is another question that provides lots of irrelevant information. Under an exclusive authorization and right to sell listing, the broker is entitled to a commission regardless of who sells the property.*

29. You enter into a contract with a person not knowing he was judicially declared incompetent. The incompetence of one of the parties to this agreement would make the contract:

A. **void**  
B. voidable  
C. enforceable  
D. valid  

*Since one of the parties to the agreement was incompetent, the contract is void.*

30. A listing agreement is:

A. a promise for a promise
B. a bilateral contract
C. an employment contract
D. All of the above

A listing agreement is an employment agreement between an owner of property and the real estate broker authorizing the broker to find a buyer for the property. They are also bilateral contracts in that the seller promises to pay the broker a commission when the property sells and the broker promises to make reasonable efforts to obtain a purchaser.

31. The subjective value of a property is the:

A. exchange value
B. market value
C. use value to the owner
D. lender's value

Since value sometimes depends on the use by a specific owner, it tends to be considered subjective.

32. The immediate surroundings of real estate is important because:

A. nice neighbors add value
B. property in an unattractive neighborhood won't sell
C. real estate is immobile
D. None of the above

Real estate is immovable by nature and cannot escape its immediate surroundings.

33. Two different properties are located side-by-side in the same neighborhood. They were both built by the same contractor, at the same time, for the same cost, are maintained the same, and contain the same square footage. If one property is worth less than the other, it would be due to:

A. functional obsolescence
B. economic obsolescence
C. deferred maintenance
D. physical deterioration

The only possible difference is that the properties do not look the same. All forces and factors that could influence value operate on both properties. Possibly the floor plans are different. The difference must be architectural and is considered functional obsolescence.
34. A flight pattern to a nearby airport was changed so that planes pass over a single-family residential neighborhood. Any loss in value to these properties would be attributed to:

A. **economic obsolescence**  
B. functional obsolescence  
C. physical obsolescence  
D. All of the above

*This outside influence is considered economic obsolescence.*

35. An agency relationship can be created by all of the following, **EXCEPT**:

A. principal's agreement  
B. implication of the law  
C. oral agreement  
D. **agent volunteers**

*A real estate licensee cannot become your agent by simply volunteering. An agency relationship can be created by written agreement or it may be implied by the acts of the principal and agent. It can also be created by oral agreement.*

36. The measurement or the length of road that abuts a thoroughfare is referred to as:

A. front foot  
B. **frontage**  
C. width  
D. the side of the parcel

*Frontage is a term used to describe or identify that part of a parcel of land or an improvement on the land which faces the street.*

37. An appraiser would most likely use a depth table when confronted with a valuation problem involving:

A. capitalization of net income  
B. a sinking fund  
C. **commercial property**  
D. residential property

*Depth tables are tables of percentage used to provide a uniform system of measuring the additional value of lots which may be more valuable because of added depth. Depth tables are used on vacant land usually for commercial property.*
38. Which of the following represents the minimum time period for an exclusive right to sell listing on real property?

   A. 30 days  
   B. 90 days  
   C. 6 months  
   D. Whatever time period is agreed to by seller and broker

*A listing may be for any period of time that is agreed to by the seller and broker.*

39. All of the following are essential to the creation of an agency relationship, EXCEPT:

   A. competent parties  
   B. *agreement to pay consideration*  
   C. agreement between principal and agent  
   D. fiduciary relationship

*The payment of consideration need not be involved in an agency relationship. One may gratuitously undertake to act as an agent and will be held to the standards of agency upon assumption of those duties.*

40. An appraiser is appraising a property which is next door to an abandoned gas station. The appraiser should recommend a:

   A. soil engineering study  
   B. *toxic waste study*  
   C. seismic study  
   D. All of the above

*There is a possibility that the old underground fuel storage tanks used by the gas station were left in the ground and may be leaking. A toxic waste study would require a soil analysis to determine if the tanks have leaked. A soil engineering study is used to test the soil’s ability to support a structure. (See Toxic Substance Control Act)*

41. The income approach would NOT be used when appraising:

   A. commercial retail property  
   B. *residences in a subdivision*  
   C. industrial buildings  
   D. neighborhood shopping centers

*When there are no suitable comparables or in this case no income to capitalize, the income approach is not a viable method.*
42. Property that is very seldom sold would be appraised by which of the following appraisal techniques?

   A. market data approach  
   B. **cost approach**  
   C. capitalization approach  
   D. Hoskold or Inwood method

*A example of property that is seldom sold would be government buildings or churches. There is usually no comparative information available on these types of properties. The cost approach relates to construction information which is readily available.*

43. To arrive at a capitalization rate in the appraisal of an income producing property, no provisions should be made for:

   A. manager's salary  
   B. "return of" the investment  
   C. **federal income taxes**  
   D. All of the above

*To arrive at a capitalization rate, the appraiser makes an allowance for depreciation or a "return of" the investment. No provisions are made for federal income taxes that might become due on the property income.*

44. In order for demand to be effective, it must be implemented by:

   A. amenities  
   B. location  
   C. highest and best use  
   D. **purchasing power**

*The element of value known as "demand" is rendered ineffective by lack of purchasing power.*

45. An exclusive listing contains a provision for termination upon the owner giving the broker 24 hours’ notice.

   A. This provision has no effect  
   B. This provision makes the contract void at its inception  
   C. This is proper as long as it states 24 hours or more  
   D. **The broker may be subject to disciplinary action**

*Failure to include a specific termination date (12 noon on December 31st) in an exclusive listing can result in suspension or revocation of the broker's license.*
46. A property with great amenity value would best be appraised by using the:

A. reproduction cost method  
B. comparison method  
C. capitalization method  
D. replacement cost method

The comparison method would be used in this case by adjusting comparables to compensate for the amenities of the subject property.

47. When an appraiser uses the term "adjusted sales prices" when describing comparables, he/she is referring to:

A. sales price less concessions  
B. sales price plus adjustments for inflation  
C. sales price plus or minus adjustments for specific characteristics  
D. All of the above

Adjusted Sales Price: In appraisal, increases or decreases to the sales price of a comparable property are made to arrive at an indicated value for the property being appraised.

48. Insurance companies not willing to deal directly with borrowers, usually pay a loan servicing and preparation fee and make real estate mortgage loans to purchase indirectly through:

A. Freddie Mac  
B. Mortgage Companies  
C. FHA or VA  
D. Savings and loan associations

Insurance companies usually make loans through mortgage companies. These “loan correspondents” negotiate and service their loans.

49. Which would be considered economic obsolescence?

E. poor architectural design  
F. blighted neighborhood  
G. termite damage  
H. deferred maintenance

Economic obsolescence concerns influence outside the property limits and would include a blighted neighborhood.
50. Given the subjective nature of market value, the listing price is most likely:

A. the lower end of the market value
B. the average market value
C. the higher end of market value
D. not related to market value

The listing price set by the owner usually sets the upper limit of market value under normal market conditions. A prospective buyer's first offer usually sets the lower limit.