

Chapter Quiz Answer Key

Chapter 1

1. (b) The real estate marketplace could best be described as being stratified based on price. p. 4
2. (a) Most real estate agents are primarily involved in residential property sales because most properties sold are residential. p. 5
3. (b) Real estate salespersons will be treated by the IRS as independent contractors if: the salesperson's reimbursement is based solely on sales, not hours worked; there is a written contract stating that the salesperson shall be treated as an independent contractor for tax purposes; and the salesperson is licensed as a real estate agent. Merely representing oneself as an independent contractor when dealing with third parties is not considered by the IRS. p. 7
4. (b) A broker is ordinarily liable to salespersons for workers' compensation. p. 12
5. (c) When choosing a broker, a new licensee should remember that training is more important than commission split for new licensees. p. 15
6. (d) The best way to learn is to use the ideas you observe or read about. By using ideas, they become yours. p. 19
7. (d) Role-playing situations are only limited by imagination and can be verbalized or nonverbalized. They can also involve more than one person. p. 21
8. (c) Exact goals are measurable, such as setting a number of calls you plan to make or appointment for showings to make. p. 22
9. (c) It is important to make goals attainable, based on what you want, and exact. Goals should also be shared so you are accountable for making them. When no one knows the goals, it is easier to abandon them. p. 23
10. (d) Proper daily planning should: reduce "A" Time activities, increase "A" Time activities, and place more emphasis on probabilities than possibilities. p. 24–25

Chapter 2

1. (a) If a group of brokers agree to not allow another broker to show any of their listings, this is called a group boycott and is prohibited by the Sherman Act. p. 36
2. (b) Ethics tend to precede the law. p. 36
3. (d) All of the following phrases indicate a discriminatory preference: "Christian family," "Prefer working married couple," and "Just two blocks to St. Michael's." p. 43
4. (b) If an employer widens the doorway to a restroom to allow wheelchair access, this is considered reasonable accommodation for handicapped and complies with the Americans with Disabilities Act (ADA). p. 46
5. (d) The Civil Rights Act of 1866 covers racial discrimination and originally gave rights to former slaves. p. 41
6. (d) If a broker specifically shows prospective buyers homes based on racial make-up, this is illegal, unethical, and known as steering. It is specifically prohibited by Civil Rights Act of 1968. p. 43
7. (c) A broker can only refuse to show a property to a prospective buyer if the development has an age exemption because all occupants are 55 years of age or older. This is an exception to Fair Housing Act. p. 44

8. (d) A landlord cannot refuse to rent to protected classes. p. 44
9. (a) The state act that specifically prohibits discrimination in business establishments is the Unruh Act. p. 47
10. (d) Placing trust funds in the personal care of a bonded employee is a violation of the law. p. 50–51

Chapter 3

1. (d) In a real estate transaction, the agent has a fiduciary duty to their principal, must disclose any known detrimental information to a buyer (even if representing the seller), and must disclose any material facts to their principal. p. 67–68
2. (c) Agency disclosure applies to 1–4 residential units only and listing agent can only be seller's agent or dual agent. p. 69, 70
3. (d) The confirmation of agency must be in writing, the three steps of the disclosure process are disclose, elect, and confirm, and the selling agent must confirm the agency prior to the buyer making an offer. p. 72
4. (b) A seller of a 4-unit apartment building must provide a Real Estate Transfer Disclosure Statement. p. 69
5. (c) An agent's duty of inspection and disclosure covers a visual inspection only of readily accessible areas. p. 75, 79
6. (a) Earthquake safety disclosure only applies to 1–4-unit residential properties. p. 82
7. (a) The buyer must sign to acknowledge receipt of a booklet relating to environmental hazards. There is also a booklet *Residential Guide to Earthquake Safety* for which the buyer also signs a receipt. p. 89, 90
8. (b) A special study zone is an area that is in danger of earthquakes. p. 102
9. (c) The purpose of the Subdivided Lands Law is to protect purchasers from fraud. p. 89
10. (a) The right of rescission is provided by law for purchase agreements involving time-shares and undivided interest subdivisions. p. 100

Chapter 4

1. (b) The CAN-SPAM Act puts control on unsolicited misleading e-mails. p. 119, 120
2. (c) The best prospecting approach is to ask owners if they can help you find a home for a particular family. p. 119, 120–121
3. (d) Direct mail solicitation for listings is more effective if you indicate you will be contacting them. This forces the recipient to think about your call. p. 122
4. (c) Under do-not-call regulations, it would be improper to make a call for survey purposes. p. 123
5. (d) On average, owners of single housing units would rather sell than rent. p. 125
6. (d) A notice of vacancy is not a legal action. Notices of eviction, foreclosure, and probate are all legal notices and can provide good leads for listings. p. 126–127
7. (d) A high vacancy rate, tenant evictions, and code violations are all indications that an owner might be interested in selling an income property. p. 127, 128
8. (b) Endless chain refers to obtaining additional prospects from every lead. p. 130
9. (d) The real estate term *farming* refers to working or prospecting a geographic area or special interest area for buyers and sellers. p. 135

10. (d) A nongeographic farm would be specialization in mobile homes, income property, or lots. p. 136–137

Chapter 5

1. (c) A competitive market analysis (CMA) shows comparable sale prices and is used to estimate value for listing purposes. p. 142
2. (c) The most important portion of your analysis is the prices of comparable properties that have sold since it shows the reality of the marketplace. p. 142–143
3. (c) For data used on the CMA, the older the data, the less reliable and sales prices that seem unusually high or low are often the result of market imperfections. p. 142–143
4. (c) Owners must be made to realize that the higher they price their home over fair market value, the longer it will take to sell and the lower the likelihood of a sale during the listing period. The agent is not doing the seller a favor by taking a listing over market value. p. 149, 150
5. (c) A recommended list price below what the CMA indicates is in an owner's best interest when the seller must sell quickly. p. 145
6. (d) What a seller receives in hand from a sale is the seller's net proceeds. p. 148
7. (b) The principal reason owners try to sell their homes without an agent is to save the commission. Even when not specifically stated, it is frequently the reason an owner wants to try to sell without an agent. p. 150
8. (d) Your listing presentation book material should be organized to follow your listing presentation, should not be used in lieu of a verbal presentation, and can be helpful in selling an owner on the concept of listing in general and listing with your firm in particular. p. 149–150
9. (d) When selling the benefits of listing with a small office, the best approach would be to emphasize that you specialize in a small number of select properties. p. 157
10. (c) The most effective statement to make during a sales presentation would be, "Last year, our average sales was at 86 percent of the list price" as this is the most important factor to the seller. p. 159

Chapter 6

1. (d) A valid exclusive listing requires a lawful purpose, mutual consent, and consideration. p. 168
2. (d) A verbal listing is unenforceable. p. 168
3. (b) If an open listing is sold by any other party, the listing broker is not entitled to any compensation. This makes it least attractive to a broker and the least likely to be advertised. p. 169–170
4. (c) A listing under which the owner can sell the listed property without paying a commission but the agent is nevertheless an exclusive agent is an exclusive-agency listing. p. 170
5. (a) An agency under which the seller might be competing with the agent in selling a property is an exclusive agency listing because a sale by the owner means no commission will be paid. p. 170
6. (d) An exclusive-right-to-sell listing likely includes an agency relationship disclosure, an attorney fee provision, and an arbitration agreement. p. 171–173
7. (d) In an exclusive-right-to-sell listing, escrow does not have to close for an agent to be entitled to a commission. Additionally, it must not have a termination date for the agent

to collect a commission, and the agent must give the owner a copy of the listing when the owner signs. It is not true that the agent is precluded from working with other agents to sell the property. p. 170

8. (c) The type of listing that has the greatest likelihood of resulting in a sale is an exclusive-right-to-sell listing as it has the best outcome for the agent's work. p. 170
9. (d) If an owner tells you that another agent told them that they could get far more for the property than your CMA indicated, your best response would be to state that your CMA covers all recent comparables and clearly shows the market value. Asking to see the CMA prepared by the other agent would be a good idea. p.185–186
10. (d) By taking a listing at a low fee that will result in a less than normal fee for any cooperating brokers you are not benefiting your office, the selling office, or the owner. p. 187–188

Chapter 7

1. (b) The most likely reason why an expired listing was not extended with the original listing office is dissatisfaction with communications. p. 196
2. (a) Agent advice to owners on showing their home could include cleaning instructions, landscaping instructions, and repair instructions. However, having the owners present for an open house would probably not be encouraged because buyers are less likely to feel at ease and will not openly discuss their feelings when owners are present. p. 198
3. (a) If there has been little or no interest in a property, the agent should convey this information to the sellers. p. 199
4. (c) When explaining your advertising policy, you should make sure that owners understand that advertising other similar properties will attract prospects for their property. p. 202
5. (b) It is good to get neighborhood information from owners to give your listings a competitive advantage. p. 202
6. (c) An owner should understand that a list price above the CMA is merely a hope unsupported by fact. Adjusting a price gives nothing away because there is no buyer, and without a buyer there is only an offering price. p. 205
7. (c) Placing a rider strip on your listing signs with a home phone number as your evening number allows you to get late and weekend inquiries. p. 208
8. (b) A property brief should not be used as a substitute for newspaper advertising. They are, however, great for a handout at open houses, a handout at caravans, and as a mailing piece in response to enquiries. p. 211
9. (a) A broker open house is of greatest value when it is in a large market with many agents. p. 218
10. (d) Advantages of open houses include pleasing owners because they indicate activity, they locate buyers for other properties, and they can obtain leads for listings. They also assist in marketing the property that is open for inspection. p. 218–219

Chapter 8

1. (b) The AIDA approach includes: attention, interest, desire, and action. p. 226–227
2. (d) Personal advertising includes name tags, calling cards, and car signs. p. 229–230
3. (b) The term *logo* refers to an identifying design or symbol. p. 230
4. (c) Blind ads fail to include broker identification. p. 230

5. (b) The most cost-effective advertising medium for selling a home would be the Internet. p. 241
6. (a) Classified ads are different from most other forms of real estate advertising because they are actually sought out by the reader. p. 230–231
7. (d) Real estate professionals know that ads that tell about the problems of the property are often very effective, attracting bargain hunters, flippers, and do-it-yourself buyers. p. 231
8. (c) An advertiser with an extremely low advertising budget would most likely avoid billboards. Press releases, For Sale signs, and the Internet are relatively low- or no-cost. p. 239
9. (d) Capital letters are not easier to read than lowercase letters. However, it is true that readers' eyes tend to move from upper left to lower right, one large picture is generally more effective than several smaller ones, and short words are easier to read than long ones. p. 238
10. (c) In preparing display ads, a good advertiser should use no more than two typefaces per ad. p. 238

Chapter 9

1. (d) Callers from a For Sale sign are likely to be satisfied with the area and with the general exterior appearance, or they would not have called. p. 255
2. (c) In general, callers from signs are more likely to end up buying homes that cost less than the home they called about and callers from ads are more likely to end up buying homes that cost more than the home they called about. p. 255
3. (d) If a caller asks, "Does the home have a double garage?" the best response is, "Did you want a double garage?" p. 255
4. (c) In showing property, you should never change your showing plans once you start. p. 255
5. (d) The qualifying period includes discovering the buyers' motivation, needs, and interests, as well as a down payment they can make and the amount they can finance. p. 261–263
6. (a) The front-end qualifying ratio is the ratio of gross housing cost to gross income. p. 263
7. (b) The back-end qualifying ratio refers to the ratio of total housing expense plus long-term debt to gross income. p. 263
8. (d) A good policy for a professional real estate salesperson would be to limit appointments to the showing of no more than two properties. p. 269 -270
9. (d) In a showing, you should not try to impress the customers with technical jargon they don't understand. p. 272–273
10. (c) If another agent is showing a home when you arrive for a showing, you should wait inconspicuously until the other agent completes the showing and leaves. p. 273

Chapter 10

1. (d) A good salesperson does not use technical terms to impress buyers, does not speak fast to reach closing, and does not approach each customer in the same way. p. 279–281
2. (d) A love of family, comfort and convenience, and security are all buying motives. p. 283
3. (d) Disadvantages of home ownership include increase in expenses, risk, and a lack of liquidity. p. 287
4. (d) Buying signals could include whispering with a spouse, pacing off a room, or seeming reluctant to leave a property. p. 266

5. (d) Asking a question is the best response to, “The price is too high.” If the buyer names a figure, you are ready to write up an offer. “Why?” would have been the appropriate first question. p. 287–289
6. (d) A professional salesperson knows that it is more effective to ask than tell, it is good to appeal to emotions, and it is not recommended to be assertive with a cautious buyer. p. 280, 282, 284–285
7. (b) When asking a prospective buyer whether he would prefer one of a range of dates, you are using the positive choice closing technique. p. 291
8. (a) The paragraph in the purchase contract referring to the intent to occupy is important because it relates to liquidated damages. p. 303
9. (d) The buyer and seller by mutual agreement can modify an accepted offer to purchase. p. 305 -306
10. (b) The buyer is responsible for the damage to the air conditioning unit based on the California Residential Purchase Agreement and Joint Escrow Instructions. p. 304

Chapter 11

1. (b) The three separate sales involved in selling real estate are: obtaining the listing, obtaining the offer, and gaining acceptance of the offer. p. 312
2. (c) When you receive two offers on a listed property, you should present the offers at the same time and in a nonprejudicial manner, no matter the source of the offers. p. 314
3. (a) It would be most difficult to persuade an owner to accept a reasonable offer received three days after listing the property. p. 315–316
4. (c) When presenting an offer on your listing for less than list price, it is good policy to recommend that the sellers counter or reject offers when acceptance is not in their best interest. p. 317–318
5. (c) The common buyer apprehension felt after placing an offer is known as buyer’s remorse. p. 318
6. (b) Once a counteroffer is not accepted, the owner does not have the option of accepting the original offer. p. 318
7. (a) If an offer received on your listing contains the word “subordination,” you should be wary. p. 319
8. (c) Rent skimming is a buyer’s failure to apply rents to loans that were assumed. p. 319
9. (d) If a reasonable, but lower than listing price, offer is received, you should recommend to the owners that they accept the offer. p. 318
10. (d) After an offer is accepted, the listing agent should keep track of the escrow progress, make certain all papers are signed by the parties, and make certain that conditions are being met. p. 327–328

Chapter 12

1. (b) A loan covering more than one property would be a blanket encumbrance. p. 329
2. (a) A reverse mortgage has compound interest. p. 351
3. (c) The difference between the interest rate of an index and the rate charged by the lender under an ARM is known as the margin. p. 353

4. (b) A lender who believes that interest rates will rise significantly will be least interested in a 30-year fixed-rate mortgage, although a borrower might prefer it.
p. 358
5. (a) A danger that ARMs pose to buyers is the threat of higher payments if interest rates increase. p. 354
6. (d) With an adjustable-rate loan index at 6 percent at the time the loan is made, a margin for the loan at 2-1/2 percent, and a 5 percent lifetime cap, the highest the interest rate could go is 13-1/2 percent. p. 353, 355
7. (d) A convertible ARM is a loan that can be changed to another borrower.
p. 353, 355–356
8. (d) A buyer who intends to sell a house within two years would prefer a loan with no prepayment penalty, a loan with low initial loan costs, and an assumable loan.
p. 358
9. (b) An adjustable-rate mortgage is most likely to meet all the criteria that a buyer who intends to sell a house within two years (no prepayment penalty, low initial loan costs, and assumable). p. 351–352
10. (d) An expansionary policy of the Federal Reserve would be to raise bank reserve requirements. p. 368

Chapter 13

1. (d) A broker can act as an escrow when the broker represents the buyer in the transaction. p. 379
2. (a) An escrow company is prohibited from paying referral fees to anyone other than an employee of the escrow company. p. 380
3. (b) To determine the balance due on a loan, escrow requires a beneficiary statement. p. 382
4. (c) First trust deed to be assumed by the buyer is a debit to the seller on the seller's closing statement. p. 387–388
5. (d) First trust deed assumed is a credit to the buyer on the buyer's closing statement. Purchase price, escrow costs, and title insurance are debits. p. 387–388
6. (d) An escrow company does not have a duty to warn parties of possible fraud or suggest changes when one party is not being adequately protected. p. 389
7. (b) A standard policy of title insurance is used to show that the seller has marketable title. It ensures against undisclosed encumbrances. p. 389, 390–391
8. (c) Unknown spousal interests are covered by the CLTA standard policy of title insurance. p. 390–391
9. (b) Liens placed by the insured are not covered by an ALTA extended policy of title insurance. However, mining claims, water rights, and off-record easements are. p. 391
10. (d) Title insurance companies do not give rebates to brokers for referrals, do not give brokers preferred rates on their own purchases, and cannot charge brokers the same as others but make no effort to collect. p. 393

Chapter 14

1. (b) The most difficult tax to avoid is the real property tax because it cannot be hidden. p. 398
2. (a) The months of November, December, February, and April relate to real property taxes. p. 398–399

3. (d) Proposition 13 provided for a maximum tax rate, it set assessments for property acquired before 1978 back to the value on the 1975 tax roll, and allowed for a 2 percent per year tax increase. p. 402
4. (d) Proposition 90 provided for a tax assessment for certain homeowners to be transferred from one county to another. p. 404
5. (c) The homeowner's property tax exemption is \$7,000 from assessed value. p. 404
6. (d) Depreciation for a residential property uses the straight-line method and a 27-1/2-year table. p. 407
7. (c) To have a tax-deferred delayed exchange, the exchange property must be identified within 45 days and must be completed within 180 days of the taxpayer relinquishing their property. p. 416–417
8. (b) To have a 1030 tax-deferred exchange, you need to have like-for-like properties, have a trade of investment real property for investment real property, and must hold property after the exchange in the same manner as you held property going into the exchange. p. 413, 415, 417
9. (b) If Albert wants to exchange property with Baker, cash received by Albert to balance equities would be boot to Albert in the exchange. Debt relief would also be boot. p. 417
10. (d) A homeowner can receive preferential tax treatment by an interest deduction, use of the universal exclusion, and a property tax deduction. p. 420, 422–423

Chapter 15

1. (b) The term *CPM* refers to Certified Property Manager of IREM. p. 440
2. (a) Compensation is generally a percentage of the gross. Percentage is lower for higher income properties. p. 451
3. (c) A property manager can be protected against receiving no fees when managing a vacant property they are unable to rent by a minimum fee. p. 451
4. (c) A lease for 30 months would be described as an estate for years because it is a definite fixed period. p. 457
5. (a) A lease under which the tenant is to pay \$500 per month for three years is a gross, or flat, lease (fixed rent). p. 457
6. (a) A lease that contains a minimum rent and a covenant to remain in business is a percentage lease. p. 458
7. (a) A parking lot would likely pay the highest percentage on a percentage lease. p. 458–459
8. (c) A supermarket would likely pay the lowest percentage on a percentage lease. p. 458–459
9. (b) A valid two-year lease need not contain a legal description of the property. p. 459
10. (d) Regarding security deposits, the following is true: nonrefundable cleaning deposits are not allowed, deposits for furnished rentals cannot exceed three months' rent, and security deposits for unfurnished rentals cannot exceed two months' rent. p. 467