

California Real Estate Principles: Chapters 11 – 15

1. It is illegal to screen and eliminate potential tenants based on:
 - (a) income levels
 - (b) credit rating
 - (c) past delinquent rental history
 - (d) marital status

2. A lease in which the lessee is required to pay the property taxes, insurance, and maintenance is known as a:
 - (a) gross lease
 - (b) triple net lease
 - (c) percentage lease
 - (d) ground lease

3. Lessor A leases to Lessee B who legally subleases to Sublessee C. Which of the following is correct?
 - (a) Lessor A looks to Lessee B for payment.
 - (b) Lessor A looks to Sublessee C for payment.
 - (c) Lessee B does not have a contract with Sublessee C.
 - (d) There is only one contract in this transaction.

4. A landlord signs a 3-year binding residential lease with a tenant. Six months later, the landlord wishes the tenant to move so the landlord's father can occupy the apartment. The tenant will be forced to move after the landlord serves a:
 - (a) 3-day notice
 - (b) 30-day notice
 - (c) 60-day notice
 - (d) the tenant cannot be forced to move

5. Most month-to-month rental agreements can be classified as an:
 - (a) estate for years
 - (b) estate from period to period
 - (c) estate at will
 - (d) estate at sufferance

6. A lease on agricultural land cannot exceed:
 - (a) 15 years
 - (b) 37 years
 - (c) 51 years
 - (d) 99 years

7. The legal action in court to remove a tenant is called:
 - (a) unlawful tenancy
 - (b) unlawful occupancy
 - (c) unlawful detainer
 - (d) unlawful possession

8. Implied right of habitability means the:
 - (a) landlord guarantees the residential unit meets housing codes
 - (b) tenant agrees to maintain the residential unit
 - (c) government is responsible for the tenant's safety
 - (d) lender insists the property meets housing standards

9. The maximum security deposit for an unfurnished apartment is:
 - (a) one month's rent
 - (b) two months' rent
 - (c) three month's rent
 - (d) four month's rent

10. A lease for a definite period of time at a flat rental rate is best described as an:
 - (a) estate for years, payable at a gross rate
 - (b) periodic tenancy, payable at a gross rate
 - (c) estate for years, payable at a net rate
 - (d) periodic tenancy, payable at a net rate

11. If an owner deeds a property encumbered by an existing lease, the new owner is best described as the:
 - (a) grantor-lessee
 - (b) grantee-lessee
 - (c) grantor-lessor
 - (d) grantee-lessor

12. A landlord signs a lease and the lessee takes possession but never signs the lease. Under these circumstances, the lease is:
 - (a) valid
 - (b) void
 - (c) voidable
 - (d) illegal

13. Quite often a retail store owner will contract to pay rent under a percentage lease. This means the rent is based on:
 - (a) net receipts plus a base rental fee
 - (b) gross receipts with an established base rent
 - (c) net receipts with an established maximum
 - (d) a fixed amount for entire lease

14. If a lessee abandons a lease prior to the expiration date, the lessor may:
- (a) leave the premises unoccupied and sue for the entire lease amount
 - (b) lease the property again and collect from two sources
 - (c) leave the premises unoccupied and sue for each installment as it becomes due
 - (d) either (a) or (b)
15. How many units would there have to be in an apartment building to make it necessary for the owner to hire an onsite resident manager?
- (a) 20 or more units
 - (b) 18 or more units
 - (c) 16 or more units
 - (d) 14 or more units
16. A broker is hired to collect rents in an apartment house. The rents are due January 1, and the broker is able to collect all but one of the tenants' rents. The next day the owner dies, and the day after that the delinquent tenant refuses to pay the broker, saying that the owner's death voided the property management contract. The tenant:
- (a) cannot refuse to pay because the rent was due January 1 and the owner did not die until January 2
 - (b) cannot refuse to pay because the tenant had previously recognized the agent and paid rent for prior months
 - (c) cannot refuse to pay because agent's authority continues until an administrator or executor is appointed
 - (d) under these circumstances, the tenant was right not to pay
17. When a valid lease is assignment, the assignee receives the entire leasehold interest and becomes:
- (a) an assignor
 - (b) a tenant
 - (c) a landlord
 - (d) a sublessor
18. A lease is to lessee as:
- (a) assignment agreement is to affiant
 - (b) trust deed is to trustee
 - (c) agreement of sale is to equitable owner
 - (d) fee simple estate is to executor
19. Ms. Estes owned a fee simple estate and leased it to Mr. Eaton for six years. Ms. Estes has:
- (a) a remainder interest
 - (b) a fee simple estate
 - (c) an estate in joint tenancy
 - (d) a less-than-freehold estate

20. Under the rental offset rules, which of the following is true? The tenant can do housing code repairs up to:
- (a) one month's rent, once per year
 - (b) two months' rent, twice per year
 - (c) one month's rent, twice per 12-month period
 - (d) one month's rent, twice per year
21. Under a three-year lease that has expired, if the tenant remains in possession and the owner accepts rent payments, the lease:
- (a) is renewed for three years
 - (b) is canceled
 - (c) becomes a month-to-month tenancy
 - (d) is renewed for one year
22. A store building was leased for ten years and after seven years, the lessor died. The lessee learned that the lessor had only a life estate and upon death, the property went to the children of the deceased. The:
- (a) lease was valid as the lessor's children inherited the property
 - (b) lease was invalid from the beginning, as one cannot give a good lease based on a life estate
 - (c) lease terminated on the lessor's death
 - (d) lease was binding on children for the next three years
23. Specific laws in the State of California make it illegal to screen and eliminate potential tenants for a rental unit based on:
- (a) religion, sex, or age
 - (b) race, color, or creed
 - (c) physical handicap or marital status
 - (d) all of the above
24. Which of the following types of leaseholds is no longer used in the State of California?
- (a) periodic tenancy
 - (b) tenancy at will
 - (c) tenancy for years
 - (d) tenancy at sufferance
25. A type of lease that allows the lessee to purchase the property at a later date at a predetermined price is known as a:
- (a) repurchase agreement
 - (b) first right of refusal
 - (c) lease option
 - (d) tenant's execution agreement

26. The subdivision law administered by the California Real Estate Commissioner, who requires the issuance of a public report, is called the:
- (a) Subdivision Map Act
 - (b) Subdivided Lands Act
 - (c) Subdivision Report Act
 - (d) Subdivided Interstate Act
27. The Subdivision Map Act requires the filing of a subdivision map with:
- (a) local government
 - (b) state government
 - (c) federal government
 - (d) all of the above
28. A subdivision offered for sale in California must provide a Real Estate Commissioner-approved public report if the land is located in:
- (a) California only
 - (b) rural areas of California only
 - (c) urban areas of California only
 - (d) any state in the nation
29. The type of development in which an owner obtains an individual deed to his or her living unit and has an undivided interest in all the land and common areas is a:
- (a) planned unit development
 - (b) community apartment
 - (c) stock cooperative
 - (d) condominium
30. If a person purchases the right to occupy a unit for a certain designated period each year, this is called:
- (a) undivided ownership
 - (b) time share ownership
 - (c) cooperative ownership
 - (d) estate for years ownership
31. A purchaser of a lot in a rural land project can cancel the purchase contract and receive a full refund in how many days?
- (a) 7 days
 - (b) 14 days
 - (c) 30 days
 - (d) 60 days

32. Redlining in California is illegal because of the:
- (a) Fair Housing Act
 - (b) Rumford Act
 - (c) Unruh Act
 - (d) Housing Financial Discrimination (Holden) Act
33. The California law that makes it unlawful for businesses to illegally discriminate is the:
- (a) Fair Housing Act
 - (b) Rumford Act
 - (c) Unruh Act
 - (d) Housing Financial Discrimination (Holden) Act
34. If a seller offers to give a real estate agent a listing that contains an illegal discriminatory clause, the agent should:
- (a) refuse the listing
 - (b) take the listing then tell the seller the clause is illegal
 - (c) take the listing and report same to the multiple listing service
 - (d) take the listing and follow the seller's wishes
35. Which of the following is the best definition of the term "zoning"?
- (a) joining together non-harmonious land uses
 - (b) a deviation from subdivision rules and regulations
 - (c) separating non-harmonious land uses
 - (d) enforcing the process of eminent domain
36. The state and federal governments have instituted laws prohibiting illegal discrimination in real estate transactions. Which of the following is a federal law that affects all states?
- (a) Holden Act
 - (b) Rumford Act
 - (c) Civil Rights Act of 1968 and 1988 Amendments
 - (d) Unruh Civil Rights Act
37. All of the following are common interest developments, except:
- (a) condominiums
 - (b) PUDs
 - (c) stock cooperatives
 - (d) standard tract homes
38. State legislation gives cities and counties some control over real property in all of the following matters, except:
- (a) lien and attachment laws
 - (b) local planning and zoning laws
 - (c) land use regulations
 - (d) rent controls

39. To exercise this power, government must have a public use and pay just compensation:
- (a) eminent domain
 - (b) police power
 - (c) planning
 - (d) zoning
40. Which of the following requires a certain number of units to be set aside for people of low and moderate income?
- (a) Holden Act
 - (b) Fair Housing Act
 - (c) comprehensive zoning
 - (d) inclusionary zoning
41. The most common method for placing CC&Rs on the parcels of land in a new subdivision is to:
- (a) include the restrictions as covenants in all the deeds
 - (b) record the restrictions in a declaration of restrictions and make reference to this in each deed
 - (c) post the restrictions on the property
 - (d) publish the restrictions in a newspaper of general circulation
42. A deviation from zoning requirements for a single parcel of land is a/an:
- (a) rezoning
 - (b) variance
 - (c) appeal
 - (d) planning change
43. Which of the following is not a material change that requires an amended public report?
- (a) placement of a billboard on a highway showing the location of the subdivision
 - (b) change in the purchase contract forms
 - (c) readjustment of lot sizes
 - (d) sale of five or more lots to a single buyer
44. If a city planning commission turns down a variance request, the next level of appeal is to the:
- (a) city engineer
 - (b) city assessor
 - (c) city council
 - (d) courts

45. Which of the following statements is not true in regard to the issuance of the preliminary public report on a subdivision project?
- (a) subdividers may take reservations for purchase pending the issuance of the final public report
 - (b) preliminary public reports are ordinarily good for five years
 - (c) it is canceled with the presentation of the final public report
 - (d) it is good for only one year
46. The Interstate Land Sales Full-Disclosure Act is administered by the:
- (a) city government
 - (b) county government
 - (c) state government
 - (d) federal government
47. All of the following regarding housing and construction laws are true, except:
- (a) a person can build his or her own home without a contractor's license, but must follow housing codes
 - (b) state housing codes are uniform throughout California
 - (c) a major development will normally require an environmental impact report
 - (d) a negative impact report is used when a development will have a significant impact on the environment
48. Discrimination due to race, color, or creed in housing under both federal and state legislation is:
- (a) illegal
 - (b) unlawful
 - (c) unenforceable
 - (d) all of the above
49. A purchaser of a time share and an undivided interest in a recreational development in California can cancel the sale and receive a full refund within:
- (a) 24 hours
 - (b) 48 hours
 - (c) 72 hours
 - (d) 105 hours
50. The famous case that ruled that the Civil Rights Act of 1968 was constitutional was:
- (a) Jones vs. Mayer
 - (b) Rumford vs. State of California
 - (c) Nobleman vs. Action Savings
 - (d) Fassler vs. Williams

51. The homeowner's exemption, excluding local assessments, saves approximately how much in property taxes?
- (a) \$100
 - (b) \$80
 - (c) \$70
 - (d) \$40
52. The proposition that allows certain homeowners to transfer their property tax base to another home in the same county is:
- (a) Proposition 13
 - (b) Proposition 57
 - (c) Proposition 60
 - (d) Proposition 90
53. Ad Valorem means according to:
- (a) value
 - (b) appraisal
 - (c) assessment
 - (d) price
54. The second installment of real property taxes is delinquent if not paid by:
- (a) November 1
 - (b) December 10
 - (c) February 1
 - (d) April 10
55. A property was valued at \$200,000 for property tax purposes. According to Proposition 13, what would be the maximum value for property tax purposes in two years, assuming the owner did not make capital improvements?
- (a) \$202,420
 - (b) \$204,010
 - (c) \$206,220
 - (d) \$208,080
56. To obtain a full homeowner's exemption, a new homeowner must file between March 1 and:
- (a) December 10
 - (b) April 15
 - (c) January 1
 - (d) March 15

57. Under certain conditions, a single homeowner may exempt up to how much in gains from the sale of his or her personal residence?
- (a) \$500,000
 - (b) \$300,000
 - (c) \$250,000
 - (d) \$125,000
58. When foreigners sell U. S. property, the Foreign Investment in Real Property Tax Act (FIRPTA) may require what percentage to be withheld from the sale proceeds?
- (a) 3 1/3%
 - (b) 5%
 - (c) 10%
 - (d) 13%
59. Property taxes become a lien on:
- (a) July 1
 - (b) November 1
 - (c) February 1
 - (d) January 1
60. Private property is deeded to the state for delinquent property taxes after:
- (a) 1 year
 - (b) 2 years
 - (c) 3 years
 - (d) 5 years
61. When a special assessment is made on a piece of property under the Street Improvement Act of 1911:
- (a) property owner can deduct principal and interest
 - (b) it is based on the front footage of the property
 - (c) it is appraised as per the amount of square footage
 - (d) assessment must be paid within six months
62. In a 1031 real estate exchange, a tax liability arises if the person exchanging receives:
- (a) like kind property
 - (b) boot
 - (c) income property
 - (d) investment property
63. Under certain conditions, married couples may exempt up to how much in gains from the sale of their personal residence?
- (a) \$500,000
 - (b) \$250,000
 - (c) \$125,000
 - (d) \$50,000

64. The county tax assessor's duty is to determine:
- (a) the tax rate to be applied to assessed values
 - (b) assignment of parcel numbers to current secured tax rolls
 - (c) tax to be paid by the property owner
 - (d) value of the property for tax purposes
65. A law used to finance public services in newly developed areas that can lead to high assessments for the affected owners is called:
- (a) Mello-Roos
 - (b) Holden-Aspen
 - (c) Alvarez-Greene
 - (d) Brown-Miller
66. For investors, losses on the operation of rental real estate are what type of losses?
- (a) passive
 - (b) active
 - (c) actual
 - (d) portfolio
67. Property owners can appeal the size of their property tax bill to an assessments appeals commission, or in some areas to the:
- (a) board of equalization
 - (b) franchise tax board
 - (c) board of supervisors
 - (d) franchise property tax agency
68. Federal income taxes are referred to as a:
- (a) progressive tax
 - (b) regressive tax
 - (c) proportionate tax
 - (d) equalized tax
69. An investor who has owned property for two years and then sells for a gain most likely will pay:
- (a) capital gains taxes
 - (b) ordinary income taxes
 - (c) only California, not federal taxes
 - (d) not pay taxes as a sale for cash qualifies as a 1031 exchange
70. Federal income taxes on the sale of income property can be deferred by which of the following methods?
- (a) all cash sale
 - (b) 1031 exchange
 - (c) installment sales
 - (d) both (b) and (c)

71. A real estate licensee can sell used mobile homes provided the mobile homes have been registered with the:
- (a) Department of Housing and Community Development
 - (b) Federal Housing Administration
 - (c) Department of Veterans Affairs
 - (d) Department of Real Estate
72. Title to a mobile home is transferred by use of a:
- (a) bill of sale
 - (b) deed
 - (c) certificate of ownership
 - (d) contract of sale
73. When a builder purchases lumber, he or she does so by the board foot. Which of these contain 8 board feet?
- (a) a 2" x 8" board 12 feet long
 - (b) a 4" x 4" board 10 feet long
 - (c) a 2" x 4" board 12 feet long
 - (d) a 2" x 6" board 10 feet long
74. A mobile home park, consisting of five or more lots, is considered a:
- (a) PUD
 - (b) subdivision
 - (c) community development
 - (d) stock cooperative
75. For a mobile home to be legally considered real property, it must:
- (a) be insured as a home by an insurance company
 - (b) rest on a permanent foundation
 - (c) be certified by a proper government agency
 - (d) both (b) and (c) are correct
76. Which of the following roof styles is best described as a "pitched roof sloping from two sides with the sides meeting at the top"?
- (a) gable roof
 - (b) gambrel roof
 - (c) hip roof
 - (d) mansard roof
77. In the construction of a frame house, the short vertical 2" x 4" boards above or below a window opening are commonly called a cripple or a:
- (a) lintel
 - (b) sole plate
 - (c) header
 - (d) fire stop

78. It is extremely important for a house to be built on a lot in relationship to its exposure to the sun, wind, noise, and view. This statement refers to:
- (a) topography
 - (b) plottage
 - (c) orientation
 - (d) elevation
79. In order to protect a building from seepage of water to the inside, around chimneys, and in the valley of the roof, builders use what is known as:
- (a) flashing
 - (b) matting
 - (c) drain pipe
 - (d) curbing
80. All registration fees on the transfer of title to a mobile home must be paid within:
- (a) 5 days
 - (b) 10 days
 - (c) 15 days
 - (d) 30 days
81. A real estate broker's license enables a person to handle the sale of:
- (a) registered mobile homes
 - (b) business opportunities
 - (c) trust deeds
 - (d) all of these
82. A statement that shows the financial position of a business as of a certain date is called:
- (a) profit and loss
 - (b) Schedule E
 - (c) balance sheet
 - (d) Schedule C
83. Commission rates for real estate agents are established by:
- (a) the Real Estate Commissioner
 - (b) local boards of real estate
 - (c) multiple listing organizations
 - (d) negotiations
84. The Real Estate Commissioner's Regulations apply to:
- (a) Realtors only
 - (b) Realtists only
 - (c) real estate brokers only
 - (d) all California real estate licensees

85. The fine for an unlicensed person who receives an illegal commission is:
- (a) \$100
 - (b) \$1,000
 - (c) \$10,000
 - (d) \$50,000
86. The Real Estate Commissioner has the right to issue regulations for the interpretation of Real Estate Law. These regulations:
- (a) must be approved by the California Association of Realtors
 - (b) have the same force and effect as Real Estate Law
 - (c) become part of the California Administrative Code
 - (d) both (b) and (c) are correct
87. Under certain conditions, a corporation can be licensed as a real estate broker. Which of the following is one of those conditions?
- (a) the corporation must have an office in California
 - (b) declared dividends are used to pay sales commissions
 - (c) chairman of the board must have a real estate salesperson's license
 - (d) a principal officer of the corporation must be licensed as a broker
88. The maximum time allowed an applicant to take the salesperson's examination is:
- (a) five hours
 - (b) one and one-half hours
 - (c) three hours and 15 minutes
 - (d) as long as the applicant wishes to take
89. If an applicant fails an examination, he or she:
- (a) may not apply for a re-examination at any time
 - (b) must wait a reasonable time after failure notice to apply
 - (c) may apply for a re-examination immediately after notification of failure
 - (d) is limited as to the number of times that an examination may be taken
90. Which of the following is correct?
- (a) there are no continuing education requirements for the salesperson's license
 - (b) examination prep courses satisfy continuing education requirements for license renewal
 - (c) no transcripts or certificates are required to verify course requirements for license renewal
 - (d) all of the above are incorrect
91. The Real Estate Law exempts some people from needing a real estate license. Which of the following are not exempt?
- (a) onsite resident managers of apartment buildings
 - (b) clerical employees of lending institutions
 - (c) any person who receives compensation for performance of an act defined within the realm of a salesperson's licensing
 - (d) attorneys while practicing law

92. Which of the following real estate licensees are not required to take continuing education courses?
- (a) persons who scored well on the original salesperson's examination
 - (b) persons who hold a four-year college degree
 - (c) persons who have been licensed in good standing for a total of 30 continuous years in California and who have attained the age of 70 years or older
 - (d) all licensees must take continuing education
93. The primary purpose of the Real Estate Advisory Commission is to:
- (a) support the general operation of the Department of Real Estate
 - (b) provide travel opportunities for real estate educators
 - (c) advise the Real Estate Commissioner on matters important to the real estate industry and the public
 - (d) all of the above
94. In a business opportunity sale, the payment for continued patronage is called:
- (a) bulk sale
 - (b) goodwill
 - (c) blue sky
 - (d) net worth
95. Which of the following is correct?
- (a) a real estate salesperson and a broker may form a partnership to run a real estate brokerage business
 - (b) the fine for paying a commission to an unlicensed person is \$5,000
 - (c) appraisers need a real estate license
 - (d) the Real Estate Commissioner is appointed by the legislature
96. In addition to the Commissioner, the Real Estate Advisory Commission has how many members?
- (a) 4
 - (b) 6
 - (c) 8
 - (d) 10
97. A salesperson who wishes to become a real estate broker must have which of the following?
- (a) a four-year college degree
 - (b) two years' full-time experience as a real estate salesperson
 - (c) equivalent experience
 - (d) any of the above

98. Which of the following is a license issued by the California Real Estate Commissioner?
- (a) corporate real estate license
 - (b) appraisal license
 - (c) escrow license
 - (d) two of the above are correct
99. After obtaining a real estate salesperson's license for the first time, a person who has not already done so must complete real estate practice and another broker-level course within:
- (a) 6 months
 - (b) 12 months
 - (c) 18 months
 - (d) 24 months
100. A real estate broker's license is issued for:
- (a) 2 years
 - (b) 4 years
 - (c) 6 years
 - (d) life