

## Chapter 10 – Regulation of the Real Estate Profession

1. C

Explanation: An interpleader action is an action to determine the owner of property. The action is filed by a party with no proprietary interest in the property.

2. B

Explanation: The deposit must be placed in escrow. The broker will not be paid his commission until closing.

3. D

Explanation: A broker may deposit trust funds into an interest-bearing account at a principal's request, if certain conditions are met. The other options are all examples of commingling.

4. B

Explanation: A blind ad fails to identify the advertiser as a real estate agent.

5. A

Explanation: Establishing a commission schedule within a group of brokers is conspiracy to fix prices. It is a violation of the Sherman Antitrust Act, which is the anti-monopoly act.

6. B

Explanation: It's called the Sherman Antitrust Act, and it is intended to prevent monopolistic practices.

7. C

Explanation: The escrow agent has commingled (mixed) its own funds with trust funds.

8. C

Explanation: A trust account is used to separate client funds from the broker's funds. This protects the client funds in the event of legal action against the broker.

9. B

Explanation: The Sherman Antitrust Act prohibits price fixing, and referring to an agreement in the brokerage community to charge a standard or fixed commission rate is a violation of that act.

10. D

Explanation: Conversion refers to the misappropriation of property or funds. Don't forget that conversion is different from commingling, which is a failure to keep client funds separate from broker funds.

11. D

Explanation: An interpleader action is a court action filed by someone who is holding funds that two or more people are claiming. The holder turns the funds over to the court; the court resolves the dispute and delivers the money to the party who is entitled to it.

12. A

Explanation: An associate broker is a licensed broker who works for another broker. Therefore, an associate broker must meet the same qualifications as any real estate broker.

13. B

Explanation: The salesperson mixed (commingled) trust money with personal funds, even though he did not use the money for personal purposes, which would have been conversion.

14. A

Explanation: It is never permissible to mix trust funds and personal funds together. J should have transferred the commission into his business account first, and then paid the advertising bill from his business account.

15. A

Explanation: It should always be made clear that commission rates are freely negotiable. If a real estate board establishes a fee schedule that appears to be mandatory, it is engaging in price fixing and violating the Sherman Act.