

Chapter 8 – Types of Real Estate Contracts

1. A

Explanation: Because he found a ready, willing, and able buyer, the broker is entitled to collect a commission. This is a situation where the seller essentially prevented the sale from going forward because of her bad faith, much as if she'd changed her mind about the transaction.

2. A

Explanation: A quitclaim deed signed by the buyer in which he releases his interest in the property would be recorded in order to clear the cloud from the title to the property.

3. B

Explanation: A listing agreement must be signed by the seller. The broker is not required to sign, although he almost always does.

4. B

Explanation: The optionee is not bound to purchase the property. The option remains open for the benefit of the optionee, but the optionee does not have to exercise the option. Some consideration is required for an option. An option is only a contract that keeps an offer open, and does not give the optionee any sort of interest in the property even during the option period.

5. D

Explanation: There are no legal limits on commission rates. They are determined by agreement between the broker and the principal.

6. B

Explanation: A land contract (which may also be known as a conditional or installment sales contract) will transfer only equitable title to a buyer while allowing the seller to retain legal title.

7. B

Explanation: A buyer (or vendee) under a land contract would immediately take possession. The buyer would have equitable title until the contract was fully paid off, at which point the buyer would receive legal title.

8. D

Explanation: The offer presented by the broker did not meet the conditions specified by the seller, even though most sellers would be pleased to accept it. Because there was no buyer presenting an offer that met the seller's terms, there is no need for the seller to pay a commission.

9. B

Explanation: The Uniform Vendor and Purchaser Risk Act states that the seller bears the risk of loss up until the moment that possession is transferred to the buyer.

10. B

Explanation: The assignment of the option is valid. Sharon's proposed purchase is also valid, since it complies with the clause requiring purchase within 30 days of exercising the option, and she exercised the option within the stated option period.

11. D

Explanation: If the tenant is the cause of damage to the property, the landlord's failure to perform repair work does not constitute constructive eviction.

12. B

Explanation: A sublease is the transfer of possession to a subtenant for only part of the remainder of a lease term. The original tenant will remain primarily responsible to the landlord.

13. D

Explanation: In an assignment, the assignee is the new tenant, and takes on primary responsibility for payment of the rent.

14. C

Explanation: Under an open or non-exclusive listing, the seller signs listing agreements with multiple brokers, but only the one who is the procuring cause of the sale will receive a commission.

15. D

Explanation: A land contract buyer (or vendee) will take possession immediately, and receives equitable title to the property. The vendee may sell or will his interest in the property.