

## Chapter 9 – Real Estate Agency Law

1. C

Explanation: An agent has the fiduciary duty to present all offers to the principal. The agent must present all offers promptly; it is up to the principal to decide which offer to accept.

2. B

Explanation: An agency relationship cannot be created unilaterally by one party's offer. The principal would need to accept the agent's offer, for instance, through an express agreement or a ratification. The agreement does not require consideration, and it is not required to be in writing, although it must be in writing to be enforceable.

3. B

Explanation: In an in-house transaction, the broker will negotiate on behalf of both parties. The broker owes fiduciary duties to each party, and must obtain written consent from both parties.

4. A

Explanation: Rejection of an offer terminates the offer, but it does not terminate the agency relationship between principal and agent.

5. D

Explanation: A dual agency is lawful only where the buyer and seller have been informed of the situation and have consented to it.

6. B

Explanation: A broker who accepts a listing is a seller's agent, and owes fiduciary duties to the seller only. The broker also owes certain other duties to all parties, such as the duty of honesty and good faith and the duty to disclose latent defects. The fiduciary relationship is between the broker and the seller, however.

7. B

Explanation: In most cases, a buyer's agent will be paid through a commission split, in which the buyer's agent receives a portion of the commission paid to the listing agent. All of the other options are allowable, but commonly used only if buying a property not listed with an MLS.

8. C

Explanation: A fiduciary relationship is one where one party owes the other loyalty and a higher standard of good faith than is owed to third parties.

9. C

Explanation: Houses built before 1978 are subject to federal lead-based paint disclosure laws.

10. C

Explanation: Just as a principal can revoke unilaterally, an agent can renounce the agency unilaterally.

11. C

Explanation: Prescription is a means of creating an easement, not an agency relationship. Express agreement, implication, and ratification are all means of creating an agency.

12. D

Explanation: Agency law governs all relationships among agents, principals, and third parties.

13. C

Explanation: An agency is created by ratification when the principal gives approval after the fact to: (1) acts by a person who was without authority to act for the principal, or (2) acts by an agent who exceeded the scope of her authority. (In this case, where the principal has ratified the actions of a salesperson, the agency relationship would be created between the principal and the salesperson's broker.)

14. D

Explanation: The broker's duty to disclose material facts is an affirmative duty, and a broker may not remain silent about material facts. While a broker may not refuse to take a listing for discriminatory reasons, there are many other reasons a broker may refuse a listing, such as a seller's insistence that the broker conceal latent defects.

15. A

Explanation: The broker has the duty to inform prospective buyers of all known latent defects.