

Real Estate Principles

Chapter 8 Quiz

1. A broker acting in good faith received misinformation provided by the seller, and passed it on to the buyer, who agreed to purchase the property. When the buyer found out, he rescinded the contract. In this situation:
 - A. the broker is entitled to collect his commission from the seller, and the seller must reimburse him for losses caused by a lawsuit by the buyer
 - B. the broker is entitled to collect his commission from the buyer
 - C. the buyer and seller each owe the broker one-half of his commission
 - D. the broker is not entitled to a commission
2. A land contract was recorded by the seller. The buyer defaulted on payments. If a quitclaim deed were to be used in order to clear the cloud off the title, it would be executed by the:
 - A. buyer
 - B. seller
 - C. buyer and seller both
 - D. lender
3. In order to be enforceable, an exclusive listing:
 - A. must be signed by the broker
 - B. must be signed by the seller
 - C. must be signed by broker and seller
 - D. must be signed by broker, buyer, and seller
4. Which of the following statements regarding options is not correct?
 - A. Option rights do not give the optionee an interest in the property
 - B. The option is binding on the optionee
 - C. An option requires some payment of consideration, not just a recital of consideration
 - D. An option agreement may be recorded
5. How is the maximum commission rate a broker may charge established?
 - A. It is set by the local multiple listing service
 - B. It is mandated by the state Real Estate Law
 - C. It must be within limits prescribed by real estate professional associations' ethical codes
 - D. It is set by agreement between principal and broker
6. A real estate financing device that transfers equitable title to a buyer while allowing the seller to retain legal title is a:
 - A. promissory note
 - B. land contract
 - C. grant deed
 - D. deed of trust

7. A buyer who purchases a property through a land contract would immediately receive:
- A. title
 - B. possession
 - C. a grant deed
 - D. a conditional fee estate
8. A seller listed his property with a broker, and specified in the listing: "Seller not to receive more than 20% cash downpayment." The broker presented an offer to pay all cash for the property. The broker is entitled to:
- A. a full commission
 - B. half his commission
 - C. only his selling expenses
 - D. no commission
9. A buyer had just taken possession of a property when an earthquake destroyed the house. Under the Uniform Vendor and Purchaser Risk Act, the buyer is:
- A. able to avoid closing the transaction
 - B. not able to avoid closing the transaction
 - C. covered by the seller's hazard insurance
 - D. able to subtract the cost of the destroyed improvements from the agreed-upon sale price
10. On March 1, Craig paid \$100 for a 60-day option to purchase a property. The option stated, "Upon exercise of option, optionee is to purchase within 30 days." On March 15, he sold and assigned the option to Sharon for \$10,000. On April 20, Sharon informed the seller that she intended to purchase the property on May 15. What is the status of the option?
- A. Valid, since an option may be assigned, but Sharon will need to purchase the property before April 30
 - B. Valid, since Sharon will purchase within 30 days after the exercise of the option
 - C. Invalid, since an option may not be assigned
 - D. Invalid, since the purchase date will be after the option has expired
11. A tenant may abandon a lease if she is constructively evicted by the landlord's actions. Which of the following examples would not be constructive eviction?
- A. The landlord cuts off the electricity to the tenant's unit
 - B. The landlord does not respond within a reasonable time after notice of broken plumbing
 - C. Noise and dust from construction work on the building make a unit unfit for occupancy
 - D. The landlord fails to repair excessive wear and tear caused by the tenant
12. What is a sublease?
- A. An assignment of a lease
 - B. Transfer of possession for less than the remainder of the lease term
 - C. Transfer of possession for the entire remainder of the lease term
 - D. The surrender of a lease and substitution of a new lease
13. In a valid assignment of a lease, the assignee becomes the new:
- A. landlord
 - B. lessor
 - C. sublessee
 - D. tenant

14. If a seller uses an open listing, she may employ several brokers:
- A. who will share the commission if anyone, including the seller, sells the property
 - B. who will share the commission if one of the brokers sells the property
 - C. only one of whom (the procuring cause) will receive the commission
 - D. whom she must pay a higher commission rate than if an exclusive listing were used
15. A buyer under a land contract will acquire:
- A. the right of possession
 - B. the right to transfer or will the property
 - C. equitable title
 - D. All of the above