

Appraisal Final Exam

1) Home buyers are classified into four primary groups, namely the first-time homebuyer, buyers moving into a larger home, buyers moving into a smaller home, and:

- a) Recreation homebuyers and retirees
- b) House flippers
- c) Investors seeking a tax shelter
- d) All of the above

2) Compared to buyers that are moving into larger or smaller homes, the first-time homebuyer tends to be a challenge because:

- a) They may have difficulty coming up with a down payment
- b) They may not have enough of an established credit history
- c) They are uninformed about important matters concerning home buying
- d) All of the above

3) Before the agent begins the search for a home for the prospective buyer, what are the first two questions that need to be answered?

- a) How much money do they have and how good is their credit?
- b) What is the buyer's favorite color and do they want a pool?
- c) What does the buyer want and need, and what can they afford?
- d) None of the above

4) A preliminary determination that often results from the use of a Buyer's Information Worksheet is:

- a) What neighborhood the buyer should look for a home in
- b) The buyer's income-to-debt ratio
- c) The Loan-to-Value Ratio
- d) A way for the buyer to come up with a down payment

5) There may be times when the buyer's expectations exceed their ability to purchase, but this can sometimes be overcome by the helping the buyer prioritizing and:

- a) The agent exercising some creativity
- b) Having a wealthy relative to borrow money from
- c) Realizing that they need to wait a few years to buy a home
- d) By asking the real estate agent to carry the financing

6) One of the most important benefits of buying versus either leasing or renting is the pride that comes with owning a home. What other advantages come with owning a home that the person does not have when they are leasing or renting from a landlord?

- a) A reflection of the owner's self image
- b) Freedom to change or alter the property
- c) Tax advantages
- d) All of these

7) A full disclosure of the property's condition including the advantages and disadvantages, without duress, within a reasonable marketing time is called:

- a) Highest and best use of the property
- b) An arm's length transaction
- c) Section OU812 of the Truth in Lending Act
- d) Creative Disclosure Marketing

8) Property has many types of values. The appraiser's job is to determine the purpose and actual value of the property, without "emotional" influences. What are considered "emotional" influences?

- a) The aesthetics of the property that brings a tear to the eye of the appraiser
- b) How much the buyer begs and cries for as low an appraisal as possible
- c) The lender's emotional attachment because it was his first loan approval
- d) The needs and desires of the seller, or their memories of the property

9) What is the federal law that requires that appraisals used in federally-related transactions meet standards set by the Appraisal Foundation and must be performed by a person who is licensed or certified by the state?

- a) The Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA)
- b) The Truth in Lending Act
- c) The Appraiser's Professional Conduct Act
- d) The Federal Emergency Management

10) An estimate of value of a property in order to determine a fair listing price is referred to as a CMA. What is a CMA?

- a) A Certified Medical Assistant
- b) The Common Margin Actuation
- c) A Competitive Market Analysis
- d) The Country Music Awards

11) Market Price is the price a person paid for the property whatever the circumstances. What is Market Value?

- a) Subjective value of a property according to the original price
- b) Objective value of a property based on data
- c) What the seller originally paid for the property
- d) The going rate for a share of stock on the NYSE

12) When two properties are similar, the lower priced property will be in greater demand. The buyer will not pay more than the lowest priced property that is equally desirable as a substitute if the terms and conditions of the purchase price are about the same. This is the Principle of:

- a) Substantiation
- b) Subsidization
- c) Sublimination
- d) Substitution

13) The principles of supply and demand for real estate have the most dramatic affect on the value of a specific piece of property. When the supply increases and the demand decreases it is known as:

- a) A buyer's market and the values decrease
- b) A seller's market and the values increase

- c) A high demand market
- d) A low supply market

14) The appraisal method used for evaluating vacant land is called:

- a) The Market Data approach
- b) The Replacement and Reproduction approach
- c) The Cost or Replacement Cost Approach
- d) The Vacant Land Appraisal approach

15) Replacement Value is the estimate of the current cost to build another building, the way it was originally constructed, at the current price of the labor, and using the same materials. What is Reproduction Value?

- a) Cost of improving vacant land
- b) The estimated cost of building a replica
- c) The estimate that takes place before replacing a building
- d) None of these

16) The difference in value between the current price of an item and the depreciated value of the item as of a certain date is known as:

- a) Devalued Appreciation
- b) Devalued Depreciation
- c) Accrued Appreciation
- d) Accrued Depreciation

17) The total amount of the difference between a property's current value and the amount of encumbrances against it is called:

- a) Equity
- b) Capital gain
- c) Appreciation
- d) Liquidity

18) The value of real estate usually appreciates as a result of:

- a) The prime lending rate
- b) How good the schools are in the neighborhood
- c) The length of time to commute to one's work
- d) Inflation and demand

19) Real Estate syndicates are usually formed for the purpose of investing in a particular real estate project. These syndicates can be formed as either corporations, LLC's, or:

- a) Private lenders
- b) Partnerships
- c) Politicians
- d) Government agencies

20) The desired percentage rate of return that an investor wants to make on their investment is known as the:

- a) Gross profit on investment
- b) Capital gains

- c) Capitalization rate
- d) Liquid equity

21) A homeowner is allowed to have only one primary residence. For tax classification purposes the IRS classifies this as the homeowner's:

- a) Principle residence
- b) Personal use property
- c) Taxable living quarters
- d) Investment property

22) Capital improvements that add to the value of the property or extend the property's useful life are referred to as:

- a) Capital gains
- b) Investment gains
- c) Principle expenditures
- d) Capital expenditures

23) Oftentimes, investors will hire a property manager to handle the rental properties for them. Which of the following is not one of the property manager's responsibilities?

- a) collecting rent
- b) keeping records
- c) planning a strategy to achieve the owner's goals
- d) washing all the tenant's windows

24) How are most property managers compensated?

- a) at a rate of 125% of the minimum wage of their particular state
- b) through the real estate agency that sold the investor the property
- c) as a fee equal to the percentage of operating income collected
- d) all of the above

25) A corporation or partnership can qualify as an owner of its own property, but it must be licensed as a real estate broker if:

- a) there is no property manager hired to run the rental units
- b) the corporation or partnership represents others as a property management business
- c) if the property is zoned as agricultural or industrial
- d) none of the above

26) The owner and manager should set up a special bank account to pay property expenses and track deposit receipts as well as a separate trust account for security deposits. These funds should:

- a) never be comingled
- b) always be considered for the same use
- c) kept hidden from the IRS
- d) treated as the investors private slush fund

27) The manager provides reports to the owner on all aspects of the property.

These reports should be:

- a) be written by hand and store in a safe
- b) taken home by the manager and hidden there every night
- c) detailed, clear and concise
- d) all of the above

28) There are four basic types of income producing properties. Which one of these is not one of them?

- a) grade schools and high schools
- b) retail - Stores and shopping centers
- c) industrial - Industrial parks
- d) office - Office buildings and office parks

29) An authorization from zoning officials to conduct a land use that is prohibited in a zoning ordinance to eliminate undue hardship for the property owner is referred to as a:

- a) variance
- b) restriction of easement
- c) rezoning
- d) special assessment

30) Promises in a deed that are not kept can result in court injunction or lawsuit for money damages, but not a loss of ownership. What is another name for these promises?

- a) testaments
- b) easements
- c) covenants
- d) none of these

31) Each lot owner has the right to enforce restrictions. But enforcement may be denied if:

- a) there are no CCR's in the deed
- b) the restrictions are considered to be unreasonable
- c) the county hasn't approved the title to the property deed
- d) the planning commission has not signed off on the land

32) A condition can be written to bind which of the following parties:

- a) only the original grantee
- b) all future owners of the property
- c) neither "a" or "b"
- d) both "a" and "b"

33) Zoning has the greatest effect on the value of real property and actually outlines areas of land to be used for specific uses. Which of the following is not one of these uses?

- a) agricultural use
- b) residential use
- c) political use

d) commercial use

34) Grandfather clauses allow non-conforming use to continue but prohibit:

- a) rebuilding if the structure is destroyed or torn down
- b) termination, if owner voluntarily abandons structure or discontinues use
- c) an amortization provision, terminating use within reasonable period of time
- d) agricultural, commercial, or residential improvements

35) Permits that contain allowing for uses that do not conform to zoning requirements, provided that the uses are within the limitations of the permit are called:

- a) rezones
- b) variances
- c) non-conforming use rights
- d) Conditional or Special Use permits

36) The federal or state government's power to take private property for a public purpose with a provision for fair compensation to the owner is referred to as:

- a) police power
- b) eminent domain
- c) condemnation
- d) totally rude and obnoxious

37) All purchaser and sales agreements as well as listing contracts should include which of the following:

- a) the Statute of Frauds disclosure
- b) a full and accurate description of the property
- c) title company rules and regulations
- d) directions to the nearest courthouse

38) There are three major methods of land description. Which one of the following is not one of the descriptions?

- a) government rectangular surveys
- b) lot and block (or plat) maps
- c) metes and bounds
- d) topographical survey maps

39) Measurements and boundaries are oftentimes referred to by what other terms:

- a) metes and bounds
- b) man-made and natural
- c) architectural and constructional
- d) the hamburgers and fries of legal descriptions

40) The Rectangular Survey System is also called:

- a) the rectangular-shaped property math formula
- b) the military grid system
- c) the government survey system
- d) all of the above

41) Plat maps feature numerous amounts of useful information. Which one of the following is not some of the information they provide?

- a) the front, rear, and side lot line measurements
- b) elevations and contours of the property
- c) deed and zoning restrictions
- d) building or "setback" lines

42) Condominiums and structures built above railroad tracks often require legal descriptions that show the elevation of air space within the land boundaries above the parcel of land. What are these air spaces often called?

- a) unsafe flight paths
- b) immeasurable lots
- c) air lots
- d) substantial breathing room

43) Principle loan times percentage of interest times duration of the loan is the formula for calculating _____.

- a) Loan origination fees
- b) Document processing fees
- c) The LTV factor
- d) Amount of Interest on the loan

44) $\% \times VB + 100\% \text{ of } VB = VA$ is the formula for determining what:

- a) How we determine Veteran's Benefits from the Veteran's Association
- b) The Value Before and the Value After
- c) The Value of the Interest before and after the sale of the property
- d) None of these

45) The desired rate of return multiplied by the property's value in order to calculate what the potential income of the property could be is a way to determine the:

- a) The Capital Gains factor
- b) The potential Net Income of the property
- c) The Cap Rate
- d) The percentage of expenses on the sale of the property

46) To figure out the share of each party's expenses "per diem" according to the period of time that each will or has already benefited from the total expenses, you would use what formula?

- a) Pro-Ration Formula
- b) Net Income Formula
- c) Property Appreciation Formula
- d) Expense Determination Formula

47) Appreciation occurs when a property rises in value; depreciation occurs when the property has a loss in value. What does an appraiser use when determining the appraised value of the property?

- a) Appreciation

- b) Depreciation
- c) Both appreciation and depreciation
- d) Neither, the appraiser uses a calculator

48) Amortized loans are repaid with payments that include:

- a) Both interest and principle
- b) Interest only
- c) Principle only
- d) Cash, checks, or credit cards

49) The monthly payment times the number of months of the loan equals the total of principle and interest combined. Subtracting the principle balance would be how you determine:

- a) Net profit on the investment
- b) The value of the property
- c) Total interest paid
- d) The percentage of interest paid

50) Simple interest is the interest paid only on the principle amount of the loan, whereas compound interest is where the buyer is paying interest on the principle and interest on:

- a) The accumulated unpaid principle
- b) The accumulated unpaid interest
- c) Both "a" and "b"
- d) Neither "a" nor "b"

51) The two entities that influence and control real estate financing are:

- a) The Board of Realtors and the U.S. Senate
- b) The MLS and Congress
- c) The FDIC and the FSLIC
- d) The Federal Reserve System and the United States Treasury

52) The agency of the U.S. Cabinet that has all responsibilities in all areas of national housing policies is called:

- a) The Farmer's Home Administration (or FHA)
- b) The Federal Economic Department (or FED)
- c) The Department of Housing and Urban Development (or HUD)
- d) The Department of Alcohol, Tobacco, and Firearms (or ATF)

53) What act that Congress passed in 1989 created the Office of Thrift (OTS) Supervision and the Savings Association Insurance Fund (SAIF)?

- a) The Federal Home Loan Bank Act
- b) The Financial Institutions Reform, Recovery, and Enforcement Act
- c) The FDIC and FSLIC Creation Act
- d) The HUD Act

54) The various lending institutions where homebuyers go to borrow money to finance the purchase of a home are referred to as:

- a) The Primary Market
- b) The Secondary Market

- c) The Real Estate Finance Market
- d) The Farmer's Market

55) A REIT obtains money by selling shares, or certificates of ownership, in the trust to give the individual investors the funds to purchase real estate investments. What do the letters REIT stand for?

- a) Real Estate Investment Trusts
- b) Real Estate Internet Traditions
- c) Real Estate Investment Terminology
- d) Real Estate Intelligence Trajectory

56) The Secondary Market is made up of private investors and government agencies that buy and sell real estate mortgage loans. Which one of the following is not one of the three major agencies?

- a) "Ginnie Mae"
- b) "Annie's Fanny"
- c) "Fannie Mae"
- d) "Freddie Mac"

57) The two primary disclosures that the Truth in Lending Act requires the lender to make to the loan applicant are the:

- a) Down payment requirements and "Subject To" explanation
- b) The date the payments are due each month and how to sign all documents
- c) The annual percentage rate and the total finance charge
- d) None of the above

58) There are several sources of loans in the Primary Market, but which one of these types of lenders are considered to be major sources for these loans?

- a) Savings and Loans
- b) Commercial and Savings Banks
- c) Mortgage Companies
- d) All of the above

59) Having a certified appraisal performed can affect certain financial aspects for the seller. Which of the following is one of those aspects?

- a) tax liabilities
- b) estate planning
- c) analyzing the feasibility of proposed improvements
- d) all of the above

60) Appraisals do not usually come with fixed expiration dates. However, most lenders will consider them invalid or outdated after how long:

- a) 6 weeks
- b) 6 months
- c) 6 years
- d) appraisals are good forever

61) When analyzing the various data that may or may not affect the appraisal, they will generally look at homes that are comparable. If there is not enough comparable data in the neighborhood, they will oftentimes:

- a) add or deduct 10% from the price depending on how the size of the house compares to the comparable ones
- b) check with the state agency as to what formula they should use
- c) go outside the area to find applicable data
- d) none of these

62) The appraiser's main priority is to always:

- a) protect the lender
- b) make sure the buyer doesn't pay too much for the house
- c) ensure that the seller's price is as high as possible
- d) all of the above

63) There are numerous aspects of the home that can affect the outcome of the appraisal. Which one of these is not a factor that affects the appraisal?

- a) torn carpeting
- b) damaged floors
- c) non-operating appliances
- d) dirty dishes and dusty furniture

64) If the appraiser's opinion of value is lower than the purchase price, it is possible that this could hinder the buyer's chances of purchasing the home unless one of the following occurs:

- a) the buyer gets one of his parents to co-sign on the loan
- b) a separate escrow account is established for the purpose of funding repairs that will improve the home and property values
- c) the seller increases the price of the home
- d) the lender alters the figures on the appraisal

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66) The Federal Home Loan Bank Act, passed in 1932, created the FHLB system. In 1989, which congressional act abolished the FHLB system?

- a) the FHA
- b) the FDIC
- c) the OU812
- d) the FIRREA

67) The Federal Reserve Act of 1913 created the Federal Reserve System in order to provide the United States with a:

- a) centralized banking system
- b) cushion against economic depression
- c) reserve fund for military spending

d) place for politicians to hide their illegal slush funds

68) In the past, HUD had experimented with granting economic incentives to financially starved urban sectors. These areas were referred to as:

- a) entrepreneurial enterprises
- b) urban assistance programs
- c) enterprise zones
- d) starship enterprise

69) Which congressional act was created to protect consumers by requiring the lenders to disclose the complete cost of credit to their applicants and by regulating the advertisement of consumer loans?

- a) FIRREA
- b) TILA
- c) ECOA
- d) SNAFU

70) What act was established in 1994 to protect a homeowner's or borrower's rights where taking advantage of the equity in their property is concerned?

- a) the Tax Reform Act
- b) the Farmer's Housing Act
- c) the Resolution Trust Act
- d) the Home Ownership and Equity Protection Act

71) There were eight different types of mortgage fraud discussed in the chapter. Which one of the following was not one of them?

- a) Deed of Trust conversion
- b) Cash-Back Schemes
- c) Failure to disclose liabilities
- d) Occupancy fraud

72) When a person takes out multiple loans on the same property at the same time, this is referred to as what type of mortgage fraud:

- a) cash-back scheme
- b) stated-income fraud
- c) shotgunning
- d) none of these

73) Insurable Value - Is the value of the property that is covered by an insurance company

True
False

74) Investment Value – The value of the property to the investor, and is usually lower than the market value.

True
False

75) Liquidation Value – Is not commonly sought standard in bankruptcy proceedings

True
False

76) Market Value – the price at which an asset would trade in a competitive auction type setting and is often interchangeable with Open Market or Fair Market Value

True
False

77) Value-in-Use - The net present value (NPV) of a cash flow that an asset generates for a specific owner under a specific use

True
False

78) According to Wikipedia, the definition of *Real Estate Appraisal* is “the practice of developing an opinion of the value of real property, usually its Market Value.”

True
False

79) Since no two properties are identical and differ by their locations, the need for appraising arose as the determining method of property evaluation.

True
False

80) The absence of a market-based pricing mechanism determines the need for an expert appraisal/valuation of real estate/property.

True
False

81) A real estate appraisal need not be conducted by a certified or licensed appraiser in order to be considered in the process of buying and selling property.

True
False

82) The appraisal is usually based on *how much is owed*.

True
False

83) The *Uniform Residential Appraisal Report* is the document that is used when determining residential property evaluation. Income producing property, raw land, and other more complex property are normally reported in a narrative type appraisal report.

True
False

84) _____ increases the equity, which is the difference between the property's value and the existing encumbrances.

- A. Appreciation
- B. Arbitrage
- C. Difference

85) Real estate investments are not liquid and do not typically result in quick returns. They are long-term investments, which may be a disadvantage for some investors.

True
False

86) Dealer property is always a long-term investment.

True
False

87) Principal residence refers to the homeowner's primary home. The homeowner may have primary residences.

True

False

88) The IRS considers all income, from all sources, as taxable income unless it is specifically excluded. This means that all income from salaries and wages, as well rental income, investment income and all other income received in the year, even if it was paid in advance.

True

False

89) Deductions do not affect the property owners adjusted basis for eventual gain or loss.

True

False

90) Capital expenses are those that add value to the property, and repairs are not capital expenses. However, property owners may deduct the cost of repairs in the year they were paid. It is up to the property owner to keep track of ALL expenses and keep receipts.

True

False