Final Exam Fundamentals Course

Please answer T for True and F for False

1. T   F   All brokerages are required to provide the same level of service

2. T   F   Property management can be a service of real estate company

3. T   F   REIT stands for Real Estate Invoicing Trade

4. T   F   Clients/customers have the choice of the level of real estate service that fits their needs

5. T   F   Office buildings are classified as either A, B, C, or D for leasing purposes

6. T   F   Collecting rent is most likely one of the duties of a property manager

7. T   F   Education would be an element in successfully pursuing a real estate career

8. T   F   Self-discipline would be an element in successfully pursuing a real estate career

9. T   F   FHA stands for the Federal Home Authority

10.    T   F   The Department of Treasury oversees the IRS

11.    T   F   FTC stands for the Federal Trade Commission

12.    T   F   The Truth in Lending Act is known as TILA

13.    T   F   SECA stands for the Self-Employment Contribution Act
14. T F The term “agent” will not be used to describe real estate licensees after 2010

15. T F All licensees who renew their license after July 2010 will need to complete a transitional course.

16. T F The designated broker is the responsible member for the brokerage

17. T F MOG rights refer to mineral, oil and gas rights

18. T F Joint tenancy can be any number of persons.

19. T F Under joint tenancy all owners must agree on the use and disposition of the property.

20. T F Community property is held by any number of persons

21. T F Supply and demand of housing influences home ownership

22. T F Special assessments are levied for a specific purpose or improvement

23. T F A life estate is an estate for the duration of the lifetime of one or more persons

24. T F A statute of limitations is a law which places a time limit on when parties can take legal action

25. T F Mutual agreement is an element in a valid contract

26. T F The Statute of Limitation states that there is no time limit for bringing court action against another party

27. T F A statute of limitations is a law which places a time limit on when parties can take legal action

28. T F An individual found guilty of an Anti-Trust violation could be fined up to $350,000
29. **T** **F** In a lien theory state, the buyer holds the deed to the property during the mortgage term.

30. **T** **F** In title theory states, the borrower does not actually keep title to the property during the loan term.

31. **T** **F** Foreclosure proceedings in a lien theory state may be less difficult for the lender than in a title theory state.

32. **T** **F** A security instrument pledges an asset such as real property as security for a debt.

33. **T** **F** Usury is defined as the practice of lending money and charging the borrower interest at an exorbitant or illegally high rate.

34. **T** **F** Checks, bonds and promissory notes are examples of financing instruments.

35. **T** **F** A promissory note is written promise to pay a certain sum of money, at a future time, unconditionally.

36. **T** **F** A deficiency judgment is the difference between what is owed on the property and what proceeds have been received from a foreclosure.

37. **T** **F** The clause in a deed of trust which allows the lender to take this action is called a power of sale clause.

38. **T** **F** A deed of trust involves five parties.

39. **T** **F** In a judicial foreclosure, the auction is called a Sheriff’s sale.

40. **T** **F** When a homeowner is delinquent in payments, they are first served a notice of sale.

41. **T** **F** A prepayment penalty ensures the lender receives a minimum yield on money lent.
42. T F Most loans do not carry prepayment penalties
43. T F There are “soft” and “hard” prepayment penalties
44. T F A “hard” prepayment penalty will become due on a note if at anytime the loan is paid off prior to the contractual period
45. T F Loans with no prepayment penalties are often referred to as consideration mortgages.
46. T F Mortgages and Deeds of Trusts are voluntary liens of property.
47. T F Lien priority is usually established by the date of recording.
48. T F There are some exceptions to the “time of recording” rule.
49. T F Subordination is the act of yielding priority on a lien
50. T F A lock-in-clause will allow a borrower to pay off a loan early.
51. T F A due-on-sale is also referred to as an alienation clause.
52. T F Most lenders require the borrower to pay for and keep current on taxes and insurance
53. T F A deed of reconveyance releases the lien when 50% the deed of trust has been paid
54. T F The buyer has no liability to the lender for the loan. This is an example of foreclosure
55. T F No loan costs, quicker sale, no qualification process with the lender and the ability to purchase with bad credit is an example of a benefit of a “subject to” loan.
56. T F A short sale is defined when the amount owed is greater than what the property can be sold for in the current market.

57. T F A judgment that was attached to the property, which would have to be satisfied before the sale of the property, could be a reason for a short sale.

58. T F If a homeowner refinanced for 125% of the value of their home this could possibly lead to a short sale.

59. T F Negative amortization on a loan could lead to a short sale.

60. T F VA Loans are insured by the Veterans Administration.

61. T F FHA Loans are insured through the Federal Housing Authority.

62. T F Using VA financing, a veteran can finance 100% of the purchase price of a home.

63. T F A DD214 Form is used for FHA loans.

64. T F GPM stands for Graduated Payment Mortgage.

65. T F When a seller leases a property from the new buyer, this is referred to as a Sale Leaseback.

66. T F Reverse Annuity Mortgages are most commonly used by the elderly.

67. T F Savings and Loan Institutions and Credit Unions are sources of real estate financing.

68. T F Individuals who broker for many lenders are called mortgage brokers.

69. T F Seller financing is a source of real estate financing.

70. T F The USDA has a direct loan program.
71. T F Certain fees listed on a Good Faith Estimate are used to calculate the Annual Percentage Rate (APR)

72. T F Affiliated Business Arrangement Disclosure is a RESPA requirement

73. T F “Buying Your Home – Settlement Costs and Helpful Information Booklet.” is produce by the EPA

74. T F A Uniform Settlement Statement is called a HUD 1 statement

75. T F The Truth in Lending Act (TILA) was originated in 1999

76. T F Loan points are a fee charged by the lender as additional compensation for making the loan

77. T F Each point is equivalent to one percent of the amount borrowed.

78. T F The amount of risk associated with the loan is another factor in determining how many points will be charged

79. T F When a seller will pays points for the buyer on the buyer’s loan this is known as a buy down

80. T F Paying points usually increase the interest rate for the buyer

81. T F The escrow agent usually makes separate appointments for the buyer and the sellers to sign closing documents.

82. T F The Washington State Department of Financial Institutions administers the Escrow Agent Registration Act.

83. T F It usually takes much longer for the buyers to sign closing papers because they are also signing a massive amount of documentation for their lender
84. T F  A real estate broker may sometimes attend a closing

85. T F  Title companies or abstractors are the professionals who search out the chain of title

86. T F  A title examiner searches for outstanding liens against the title to the property.

87. T F  The Owner’s Title Insurance protects the buyer from any hidden title defects

88. T F  The purchaser also needs to know about any encumbrances against the property that may affect its use or enjoyment

89. T F  Every title is made up of many different "rights" and "interests" that may be owned by different people.

90. T F  Other people may also have rights to the property, such as easements for utilities or mortgages, etc.

91. T F  Standard coverage usually covers items of record, but not physical attributes on the property

92. T F  If an owner’s Extended Policy has been requested, then a physical inspection of the property will be completed

93. T F  An ALTA protects the lender from loss

94. T F  Incorrect marital status of the owner might be considered a hidden defect

95. T F  Undisclosed heirs would not be considered a hidden defect

96. T F  A chain of title is the sequence of historical transfers of title to a property
97. T F When there is a break in the chain of title, then a document may be missing.

98. T F An Abstract of Title contains a condensed history of the title to a piece of land in addition to a summary of conveyances.

99. T F The "chain" runs from the present owner back to the original owner or the government.

100. T F UCC offices support commerce by giving lenders a central place for notices regarding personal property pledged as collateral for loans.

101. T F UCC is an acronym for Uniform Commerce Conduct.

102. T F There is a fee charged for filing and searching the UCC records.

103. T F The UCC does not determine the legal sufficiency or insufficiency of a record.

104. T F The requirements for valid lease are the same as the requirements for a valid contract.

105. T F Leases for a fixed term of over one year are required to be in writing.

106. T F An owner must give written permission to a property manager giving them authorization to sign for a lease to be valid.

107. T F All leases must be in writing to be valid.

108. T F The real estate commission in Washington, consists of the director who is the chair of the commission and three commission members.

109. T F The commission shall elect a vice-chair annually to conduct the commission meetings in the absence of the director.

110. T F The commission shall ensure that examinations are prepared and administered at examination centers throughout the state.
111. T F The governor appoints six real estate commission members for a term of six years each

112. T F Religion is considered a protected class under the Fair Housing Act

113. T F Poverty is considered a protected class under the Fair Housing Act

114. T F The Fair Housing Laws apply to any party involved, directly or indirectly, in a housing transaction

115. T F Marital Status is considered a protected class under the Fair Housing Act

116. T F Career status is considered a protected class under the Fair Housing Act

117. T F Redlining involves a lender’s refusal to grant a loan based on a racial mix in a neighborhood

118. T F Blockbusting is legal in Washington State if performed by minorities

119. T F Family status discrimination is a violation of the Fair Housing laws

120. T F Redlining is legal in Washington State

Multiple Choice

1) The broker and seller have an Exclusive Agency Listing Agreement. The seller procures the buyer. The broker is entitled to________________________.

   a) a listing office commission

   b) no commission

   c) one half of the listing office commission
d) the selling office commission

2) Many licensees will not enter into an exclusive agency agreement because_________________________________________________.
   a) they may not get reimbursed for their efforts even if the home sells
   b) they may not be able to re-coup their expenditures for marketing and advertising even if the home sells
   c) there is a possibility that there could be some confusion over who procured the purchaser
   d) All of the above

3) The Sherman Anti-Trust Act was enacted in_____________________________.
   a) 1890
   b) 1930
   c) 1977
   d) 1999

4) When a party to the contract fails to perform as promised in the contract, this is known as a ____________.
   a) acquisition
   b) breach
   c) title vesting
   d) LLC
5) the seller may be liable for damages incurred by __________________ as a result of cancellation of a listing agreement.
   a) broker
   b) lender
   c) structural inspector
   d) none of the above

6) There is a clause in a listing agreement which protects the broker if the seller cancels the listing agreement without ____________________.
   a) the permission of the lender
   b) the permission of the closing (escrow) company
   c) legal excuse
   d) permission from the title company

7) To claim adverse possession, __________ requirements must apply.
   a) 4
   b) 3
   c) 10
   d) 5

8) When a person dies without leaving a will, this is known as ________________.
   a) testate
b) intestate

c) prescription

d) foreclosure

9) A “normal” sale of a property would be what kind of transfer?

a) Voluntary alienation
b) Involuntary alienation
c) Escheat
d) None of the above

10) When the government takes property for the good of the public they are exercising the power of_______________________.

a) Voluntary alienation
b) Eminent domain
c) Foreclosure
d) Adverse possession

11) What should be kept in a real estate transaction file?

a) Preprinted forms only
b) Only those documents that have been signed by the parties
c) Only seller’s disclosure statements
d) Everything including documents, notes, fax journals and photos
12) The main purpose of providing complete and accurate documentation is:____________________________.

a) reduced risk for the client and the licensee and can be used as evidence should a dispute arise
b) comply with FHA
c) comply with brokerage policies
d) comply with diversity laws within your state

13) Which type of evidence would be stronger in court?
   a) Clear written documentation
   b) Concise relocation of events from memory
   c) Testimony from the seller as to an event that took place
   d) All would be the same

14) ALL documentation entries into a transaction file should be ____________.
   a) initialed and dated
   b) recorded by the county
   c) notarized
   d) in duplicate

15) If there is a plentiful supply of homes and low demand, prices tend to ____________.
   a) rise
   b) fall
   c) stay the same
d) none of the above

16) The status of inflation, unemployment and the stock and bond markets would be reflective of ________________________.

a) general state of the economy
b) scarcity
c) certifications
d) probate

17) Depreciation can only be applied to the structure and ___________ the land.

a) never
b) sometimes
c) always
d) rarely

18) Depreciation is the loss in value of a _________ over a period of time due to physical deterioration and age.

a) building and land
b) building
c) title
d) none of the above
19) To amortize a loan, your payments must be large enough to pay not only the _____ that has accrued but also to reduce the ________________ owed.

   a) interest, principal  
   b) title, interest  
   c) balance, vesting  
   d) certificate, business

20) Interest is the ______ of borrowing money.

   a) balance  
   b) loan ratio  
   c) cost  
   d) issuance

21) There can be simple interest and ____________ interest.

   a) valid  
   b) withholding  
   c) compounded  
   d) divisional

22) The word amortize means to ____________________.
a) charge illegal high interest rates
b) dispose of property
c) hold property as sole ownership
d) bring to death

23) An interest only payment is also referred to as a _________________.
   a) fully amortized payment
   b) partially amortized payment
   c) bi-monthly payment
   d) straight note payment

24) A ______________ loan pays off both the interest owed and the principal balance at the end of the term.
   a) fully amortized
   b) partially amortized
   c) straight note
   d) withholding

25) Bi-monthly payments, as opposed to monthly payments, _________ the term of the loan.
   a) reduce
   b) increase
   c) have no effect
d) none of the above

26) Negative Amortization on an ARM loan can happen because of______________________.
   a) a payment cap
   b) a convertible clause
   c) a periodic cap
   d) a lifetime or overall cap

27) ARM stands for_______________________________________.
   a) appropriated rental mortgage
   b) amortized rate mortgage
   c) adjustable rate mortgage
   d) affiliated rate mortgage

28) The period between one rate adjustment and the next is called a/an_____________________________.
   a) conversion period
   b) adjustment period
   c) standard rate period
   d) marginal life period
29) The index + the margin =
   a) ARM interest rate
   b) The ARM conversion fee
   c) The ARM prepayment penalty
   d) None of the above

30) A common tool used to calculate an index is______________________________.
   a) Cost of funds to saving and loan associations
   b) Treasury securities
   c) Both a and b
   d) Neither a or b

31) Payment caps limit____________________________________________.
   a) the amount that the interest rate can change over the life of the loan
   b) the monthly payment increase
   c) the conversion time
   d) which index can be used

32) Lenders may take the index and add a few extra percentage points known as the______________________________.
a) convertible index
b) percentage index
c) amortized index
d) margin

33) A lifetime or overall cap limits_________________________________________.

a) the time in which the loan can be converted to a fixed rate
b) the periodic adjustment
c) the interest rate increase over the lifetime of the loan
d) lending lawsuits

34) If an index rate did not change, and the payment on the loan increased, this was caused by
a_________________________________________.

a) decrease in the margin
b) change in Treasury Securities
c) change in the lifetime cap
d) carry over

35) If the index is 5% and the margin is 2%, the interest rate on the ARM loan is______________.
36) When originating a loan, lenders will usually charge a ______ rate for an ARM as opposed to a fixed rate mortgage.

a) higher
b) lower
c) amortized
d) None of the above

37) When a conversion takes place from an ARM to a fixed-rate, the interest rate is usually set at_______________________________.

a) the current rate for fixed mortgages
b) 2% above the current rate for fixed mortgages
c) the Treasury security rate
d) the cost of funds to saving and loan institutions

38) The Federal Reserve System is also known as the _______________.

a) Ginnie Mae
b) Fed
c) Freddie Mac
d) portfolio market

39) To avoid unnecessary risk, the secondary market requires that he loans that they buy meet the standards of ________________ which are set by the secondary markets.

a) Uniform underwriting
b) Just certification
c) Common title vesting
d) None of the above

40) All banks must keep a percentage of deposits in reserve at the Federal Reserve Bank. This is known as the ________________.

a) Secondary market
b) Open market operations
c) Consumer statute
d) Reserve requirement

41) When the Fed buys or sells government securities, this is known as _________________.

a) Open market operations
b) Reserve requirements
c) Secondary market operations
42) The Federal National Mortgage Association is known as ________________.
   a) Ginny Mae
   b) Freddie Mac
   c) Either answers
   d) Neither answers

43) The escrow officer and broker are responsible for ensuring that all necessary loan documentation has arrived at the _________________.
   a) Escrow office
   b) Seller’s home
   c) Structural inspector’s place of business
   d) Department of licensing

44) The escrow officer is responsible for ensuring that the ________________is recorded.
   a) Purchase and sale agreement
   b) Escrow instructions
   c) Certification
   d) Deed
45) An escrow agent acts as a ________________ party.
   a) Neutral third 
   b) republican 
   c) democratic 
   d) independent 

46) Closing documents are usually signed at _________________.
   a) the lender’s office 
   b) the escrow company 
   c) the seller’s home 
   d) none of the above 

47) A provision that specifies the amount of rent and when the rent is due is known as a ________________ provision in a lease.
   a) payment of rents 
   b) detainer 
   c) domestic liability 
   d) designated 

48) All non-refundable ____________ must be specified in the lease.
a) ordinances
b) Fees
c) agencies
d) liens

49) A ____________ provision in a lease will specify how the property is to be used.
a) use of premises
b) title vesting
c) cancellation
d) mail

50) The Landlord-Tenant Law specifies that the property must be used for ____________ purposes.
a) immediate
b) minimum
c) legal
d) procuring

51) All properties managed by the broker must be supported by a ____________ signed by the owner and broker and retained.
a) written management agreement
b) notice of publication
c) unlawful detainer
d) notice of lis pendens

52) The management agreement must state the broker’s ____________.
   a) years of being in the real estate business
   b) compensation
   c) taxpayer’s identification number
   d) grantor

53) The management agreement must state__________________ of a dwelling.
   a) type
   b) conveyance
   c) title
   d) type of mortgage

54) Each owner of property managed by a broker must be provided a ______________.
   a) loan-to-value ratio
   b) summary statement
   c) habendum clause
   d) federal funds rate

55) Any amendment or modification to the property management agreement must be made in written form and signed by the ______ and the ______ and retained.
   a) broker, tenant
   b) owner, tenant
   c) broker, owner
   d) owner and title insurance company
56) The _____________ must state whether or not the broker is authorized to collect funds and disburse funds and for what purposes.
   a) management agreement
   b) homestead statement
   c) vesting agreement
   d) cooperating statement

57) The Revised Code of Washington (RCW) is the compilation of all permanent ________ now in force.
   a) identifications
   b) laws
   c) estates
   d) insurances

58) _____________ are also known as “rules” or “administrative rules” in Washington State
   a) RCW’s
   b) WAC’s
   c) MOG’s
   d) MIG’s

59) WAC’s help clarify the terms that are found in related statutes of the _____________.
   a) RCW’s
   b) constructive rights
c) valid rights  
d) deed rights  

60) WAC’s are legally __________.
   a) adverse  
   b) binding  
   c) liquidated  
   d) invalid  

61) Voided pre-numbered checks should be ____________________.
   a) sent to the department of licensing for safe keeping  
   b) discarded  
   c) kept along with other trust account information  
   d) none of the above  

62) Do not ___________ funds with any brokerage funds or personal funds.
   a) certify  
   b) duplicate  
   c) designate  
   d) commingle  

63) Trust accounts must be reconciled on a ___________ basis.
64) The ______________ is responsible for keeping the funds in their broker’s trust account until the transaction is completed or terminated.
   a) designated broker
   b) Department of Licensing
   c) lender
   d) title company

65) A ledger for each __________ is required by law for all real estate trust accounts.
   a) title company
   b) lender
   c) client
   d) structural inspector

66) The federal Civil Rights Act of 1866 prohibits all __________ discrimination in the sale or rental of property.
   a) age
   b) racial
   c) sexual
   d) military discharge status
67) The Civil Rights Act of 1968 expands the definition of discrimination to include not only race, but also national origin, color, and ______.
   a) religion
   b) military discharge status
   c) sexual
   d) disability

68) Title III of the Americans with Disabilities act relates to _________________.
   a) retaliation of disabled persons
   b) public accommodations
   c) community property
   d) division of assets

69) Commercial facilities, such as factories, must comply with the ADA's architectural standards for _________________________________.
   a) new construction
   b) old buildings
   c) historical registry buildings
   d) none of the above

70) Executive Order 11063 (Equal opportunity in housing) was
   a) signed: November 20, 1962 by John F Kennedy
   b) amended by: EO 12259, December 31, 1980 by Jimmy Carter
   c) Both A and B
   d) Neither A nor B