Real Estate Law Final Exam

1. The Designated broker is the title of the person who:

A. is recognized by the state and the MLS the responsible member for brokerage transactions.

B. is the title of a person who may be managing a brokerage or a branch office or a licensee who has the education to manage an office, even if not currently doing so.

C. is any licensee.

2. When a licensee leaves a brokerage, the designated broker is responsible for signing their license and returning it to the department of licensing in Olympia.

   True

   False

3. There may be more than one designated broker per brokerage.

   True

   False

4. Branch offices of a brokerage are required to have a branch manager.

   True

   False

5. Managing Broker is the title of a person who

   A. manages properties for their clients

   B. manages a brokerage or a branch office, or is a licensee who has the education to manage an office, even if they are currently not doing so.
C. is not responsible for the supervision of their licensees.

6. Branch Manager is

A. responsible for the affiliates of a branch office. A brokerage must have more than one office to have a branch office.

B. manages a brokerage with a single office i

C. has no duty and authority to supervise affiliated licensees

7. All and brokers who renew their license after June 30th, 2010 are required to complete a Transitional Course.

True

False

8. A licensee owes a CLIENT a fiduciary responsibility of:

A. Loyalty, Confidentiality, to act in the client’s best interest, non-disclosure of pertinent information, to provide a Law of Real Estate Agency Pamphlet

B. Loyalty, Obedience (must be lawful), Confidentiality, to act in the client’s best interest, Disclosure of all pertinent information, to provide a Law of Real Estate Agency Pamphlet

9. A licensee owes a CLIENT AND a CUSTOMER and other THIRD PARTIES the following:

A. To deal honestly and in good faith, Not to be negligent and exercise reasonable skill and care, Account for all monies handled for others, Disclosure of all material facts, To present all offers
B. Loyalty, Obedience (must be lawful), Confidentiality, To act in the client’s best interest, Disclosure of all pertinent information, To provide a Law of Real Estate Agency Pamphlet

10. There are no limitations placed on a licensee in preparing listing agreements, buyer agency agreements, purchase and sale agreements, exchanges and options on real property.

True
False

11. A broker should DRAFT all his or her own contracts, contract provisions, or legal documents

True
False

12. A broker should advise his or her clients to seek proper legal counsel if the contract should extend beyond the standard form, or should your client wish to have a custom agreement drafted.

True
False

13. A broker should use ONLY standard forms in the exercise of duties and extreme caution must be used in adding anything to these standard forms.

True
False

14. In Cultum v. Heritage House Realtors, the court ruled that licensees need to take great care in using the standardized forms and must ensure that all
additions are in line with the terms and conditions of the contract, or the licensee can be held liable for damages and losses.

True
False

15. If a real estate licensee moves beyond this function of completing forms which are standardized, the licensee begins to "advise" the client on taking an action which may affect the client's LEGAL right. This cannot be done by other than a licensed attorney.

True
False

16. A licensee can drastically avoid the possibility of straying very far ethically by:

A. following the example of peers

B. strictly adhering to the duties of licensees to various parties in a real estate brokerage service environment as prescribed in the law and regulations

C. making best judgment call and intuition.

17. The vast majority of transactions involve two firms each representing a buyer or seller. Building rapport and trust with competitors is the right thing to do and the productive thing to do.

True
False

18. Which is TRUE?
A. Washington State’s Unfair Business Practices states that “Unfair methods of competition and unfair or deceptive acts or practices in the conduct of any trade or commerce are hereby declared unlawful”.

B. It shall be unlawful for any person to monopolize or attempt to monopolize or combine or conspire with any other person or persons to monopolize any part of trade or commerce.

C. Both

D. Neither

19. To effectively and professionally represent a property as a real estate professional, you must know and understand:

A. the territories, neighborhoods and areas in which the properties are located.

B. infrastructure: schools, fire stations, police stations

C. crime rates

D. All of these elements

20. RESPA stands for

A. Real Estate Settlement Procedures Act

B. Real Estate Settlers Professional Association

21. RESPA is regulated by

A. IRS

B. HUD (Housing and Urban Development)

C. Department of Licensing
22. Department of the Treasury oversees:
A. the Internal Revenue Service (IRS) in relationship to property taxation.
B. HUD
C. all licensees

23. The United States Treasury’s Financial Crimes Enforcement Network, (FinCEN) purpose is to:
A. investigate money laundering in real estate transactions
B. protect national security and detect criminal activity and safeguard financial systems from abuse.
C. Both
D. Neither

24. US Attorney General- has the authority to enforce criminal or civil Anti-Trust violations.
True
False

25. FBI Federal Bureau of Investigation is responsible for civil actions of Anti-Trust violations investigations .
True
False

26. DOJ :
A. is (Department of Justice) administers the Americans with Disabilities Act (ADA) and has the authority to investigate criminal or civil Anti-Trust violations.
B. has no involvement over prices fixing or rig bids.
C. intrudes in the competitive system when it is operating effectively and legally.

27. When competing firms get together to fix prices, to rig bids, to divide business between them or to make other anticompetitive arrangements
A. the DOJ has no interest

B. the government will act promptly to protect the interests of American consumers.

28. FHA – (Federal Housing Authority)
   A. makes loans directly to home owners
   B. Insures loans and offers programs for buyers.

29. The Federal Housing Finance Agency was created to oversee Fannie Mae and Freddie Mac to
   A. Provide effective supervision, regulation and housing mission oversight of Fannie Mae, Freddie Mac and the Federal Home Loan Banks
   B. to promote their safety and soundness, support housing finance and affordable housing, and support a stable and liquid mortgage market.
   C. To make direct loans to those who are underemployed
   D. All but C

30. FEMA’s mission is to:
   A. support our citizens and first responders to ensure that as a nation we work together to build, sustain, and improve our capability to prepare for, protect against, respond to, recover from, and mitigate all hazards.
   B. rebuild aging American neighborhoods to retain their values
   C. find replacement homes for displaced citizens.

31. Department of Veterans Affairs (VA), (Veterans Benefits Administration Division)
   A. finances home loans for veterans.
   B. guarantees home loans for veterans.

32. The Federal Reserve Bank (FRB) –
   A. Owns all US banks
B. The Federal Reserve Bank is the central bank of the United States. It was founded by in 1913 to provide the nation with a safer, more flexible, and more stable monetary and financial system.

33. __________ is created by either an oral or a written agreement between the principal and the broker. It indicates their express intent for this representational status.
   A. Open Agency
   B. Express Agency
   C. Agency Listing

34. In real estate, agency is normally created by:
   A. either a written listing agreement with a seller
   B. a buyer agency agreement with a buyer.
   C. Either

35. Agency by Ratification is
   A. an agency relationship created after the fact when the Principal agrees to be bound by the actions of another person who was acting without authority
   B. is a type of express agency.
   C. Both

36. __________ is an agency relationship created by the actions of the parties.
   A. Open Agency
   B. Implied Agency
   C. Express Agency
37. If a real estate broker takes on responsibilities that are normally those of a broker, but HASN'T SIGNED an agency agreement, he or she may still be considered an agent via implied agency.

True
False

38. If the customer asks the agent for advice or actions that are normally those in agency, an implied agency can NOT be created.

True
False

39. Agency by Estoppel

A. Is also known as Ostensible Agency

b. can be created by the actions, behavior or statements of the Principal and/or the Broker upon which a third party relies.

c. may be found by a court where no agency relationship was intended by the Principal.

D. All of these elements

40. The ________ is usually the *person who is being represented* as a principal, by another person called an agent, in a fiduciary relationship. The client can be the seller, buyer, tenant or landlord.

A. client
B. customer

41. The ________ is party to the transaction that the agent *does NOT represent* and is an individual who purchases property or services.

A. client
B. customer
42. An *essential element* of a valid contract is legal *capacity* to enter into a contract. Legal capacity means that the person must be:

A. of legal age, sound of mind AND be under no duress
of sound body, a US citizen, and under no duress
of legal age, a US citizen and sound of mind

43. Which is true?
A. The Federal government specifies the *legal age*, OR the *age of majority* for entering into a contractual agreement. The age of majority is 21.
B. Each state specifies the legal age, OR the age of majority for entering into a contractual agreement. The age of majority in Washington and most states is 18.

44. Sound mind *means*:
the person can hear sounds
the person can understand the legal ramifications of the contract

45. If a person is incapacitated, such as being under anesthesia, OR declared to be incompetent OR hospitalized and under the influence of drugs OR alcohol, the contract is:
void
voidable

46. *The Statute of Frauds EXCLUDES leases:*
*longer than one year*
*shorter than one year.*

47. The real estate profession allows an exception for verbal contracts made between brokers, which are still considered to be binding contracts.
True
False

48. *To be valid, the contract for the purchase OR lease of real estate must include a legal description.*
True
False

49. *The term novation means*
A. *the substitution of a new contract for the original*
B. *the substitution of new parties to the original contract releasing the original parties of all liability.*
C. Both apply.
50. Most standard contracts include the phrase “time is of the essence”. This means:
A. there is no time limit.
B. untimely performance is NOT material breach of contract
C. timely performance is crucial and if the deadline is NOT met, it can be considered to be a material breach of contract.

51. A rescission can be referred to as a contract to dissolve a contract, and is used to restore the parties to nearly the same condition as they were PRIOR to entering the contract.
   True
   False

52. Unilateral rescission is when ___________ decides NOT to go through with the contract.
    one party
    both parties

53. The Statute of Limitations is a state law that:
   A. puts time restrictions on attempts to collect damages for breach of contract.
   B. limits responsibility of the licensee
   C. sets the limits of the contract.

54. Laches is the legal definition for
   A. a door lock
   B. delaying too long before making a claim for damages is.

55. A lease requires no standard form or special language, as long as it contains the basic elements of a valid contract, and clearly states an agreement between the landlord and tenant to rent the property.
   A. special language drawn up by an attorney
   B. no standard form or special language, as long as it contains the basic elements of a valid contract, and clearly states an agreement between the landlord and tenant to rent the property.

56. A valid lease must include:
   A. the address, amount of rent, the length of time, and a cleaning deposit
B. the names of agent and broker, amount of rent, the length of time, and a description of the rental property.
C. the names of tenant and landlord, amount of rent, the length of time, and a description of the rental property.

57. It is always best to have all parties sign the lease
True
False

58. The tenancy for years is
a tenancy for a fixed period of time. At the end of the specified time, the lease will automatically terminate.
a tenancy for at least one year.
a tenancy that automatically terminates in one year.

59. A periodic tenancy is
A. for a specific period of time, BUT has no fixed date for termination.
B. automatically renews for an additional period until either party gives notice of termination.
C. is usually assignable UNLESS the lease states otherwise.
D. All of these elements.

60. A tenancy at will is
A. created by a person’s last will.
B. for an indefinite period of time that continues until either party gives notice to terminate.
C. never expires

61. A tenancy at sufferance is
A. NOT actually a type of estate,
B. a description of a tenant who was legally in possession of a property, but refuses to move out after the lease expires.
C. Both

62. Eviction can be “actual” or “constructive”. Actual eviction is when a tenant is
A. actually moved from the property by the landlord.
B. when a sheriff moves the tenant from the property.
C. either
63. Constructive eviction is
A. when the tenant must move out due to remodeling construction
B. when the landlord interferes with the tenant's exclusive right to enjoyment and possession of the property.

64. Tort law is a body of law that addresses and provides remedies for
A. civil wrongs not arising out of contractual obligations.
B. criminal offences

65. Torts Fraud is generally defined in the law as an
A. unintentional misrepresentation of material existing fact made by one person to another with knowledge of its falsity and for the purpose of inducing the other person to act, and upon which the other person relies with resulting injury or damage.
B. intentional misrepresentation of material existing fact made by one person to another with knowledge of its falsity and for the purpose of inducing the other person to act, and upon which the other person relies with resulting injury or damage.

66. Which is NOT TRUE?
A. According the Fair Housing Act of 1968 it is illegal to advertise or make any statement that indicates a limitation or preference based on race, color, national origin, religion, sex, familial status, or handicap.
B. This prohibition against discriminatory advertising applies to single-family and owner-occupied housing that is otherwise exempt from the Fair Housing Act.
C. Fair Housing Act of 1968 regulates rental rates.

67. Which is an example of a NON-discriminatory advertisement.
A. Beautiful modern home on large wooded lot. Four bedrooms, three baths with a huge deck overlooking the Puget Sound. Well-appointed with granite counter tops, tile backsplash and new cabinets in the kitchen. Slate tile in entry way. Newly remodeled baths with new fixtures. Central vacuum cleaner. Just minutes to major arterials. The spacious three car garage has 220 wiring. New roof in 2007. $699,990. For further information, please contact Judy Smith at XYZ Realty at (555)555-5555.

B. Single story, rambler style 3 bedroom, in great Jewish neighborhood, 1 bath home with a 2 car attached garage. Beautiful lush garden with a hot tub. Kitchen has been updated and includes stainless steel appliances and tile floors and
marble countertops. Spacious deck with built-in seating. New composition roof was installed in the spring of 2007. New insulated windows installed in the winter of 2008. All interior rooms newly painted spring of 2008. Washer and dryer included in the sale. $ 299,000. For further information contact Sue Yen of ABC Realty at (555)555-5555

68. Licensees must state their name as licensed and the name of the brokerage on all advertising material.

True

False

69. The Good Faith Estimate provides:

A. an estimate of commissions charged by competing licensees and brokers.

B. an estimate of the settlement costs and names of all required service providers. These estimates include all pre-paid and escrow items as well as lender charges.

70. Along with the Good Faith Estimate, the lender must also supply a booklet published by the Department of Housing and Urban Development, called the “Buying Your Home – Settlement Costs and Helpful Information Booklet.”

True

False

71. At the closing of the loan, a no final settlement statement need be given to the borrower that lists the actual costs of each charge.

True

False

72. Whenever a borrower applies for, or inquires about an adjustable rate mortgage, RESPA requires:
A. a separate disclosure be given along with the Consumer Handbook on Adjustable Rate Mortgages.

B. Full disclosure of the racial make-up of the neighborhood

73. This disclosure statement explains that the lender may transfer servicing of the loan to another lender. The statement must be presented to the borrower(s) at application or within three business days of application.

True

False

74. As of January 1, 1995, Washington State requires anyone who sells their residential real estate to give a property condition disclosure statement to the buyers. This form must be given to the buyers within_______ days after the sale agreement is signed, UNLESS the buyer waives right to rescind.

A. 1 day

B. 20 days

C. 5 days

75. A full disclosure of information, based on the seller’s actual knowledge of the condition of the property, is to be given to the buyer of real property. This disclosure is

A. NOT to be considered a part of the sales agreement.

B. to be considered a part of the sales agreement.

76. It is important to understand that this disclosure contains the representations of the seller ONLY, and MAY NOT be considered as any representation by the broker or agent.

True

False
77. This disclosure statement is

A. a warranty.

B. NOT a warranty.

78. Giving this statement to a buyer can prevent a seller from falsely stating that he/she informed the agent of a material defect or problem, but the agent DID NOT disclose it to the buyer.

True

False

79. Although Washington does not require sellers to give the buyers the statement until an agreement is signed, most listing forms will require the seller to prepare a disclosure and provide it to the listing agent as soon as possible.

True

False

80. The agent

A. MUST NOT help the seller fill out the statement, but should caution the seller to be truthful and to answer “don’t know” rather than to “guess” about an item.

b. MUST help the seller fill out the statement.

81. Environmental issues _____ health issues and when applied to real estate transactions, become real estate issues.

A. ARE NOT

B. ARE
82. Licensees ___ experts able determine the level or severity of the hazardous substance.

A. ARE NOT

B. ARE

83. Asbestos is a mineral that was once used in insulation due to its ability to retain heat and resistance to fire hazards. Asbestos was banned in 1978 due to the microscopic fibers it releases which can result in a variety of respiratory diseases.

True

False

84. The Lead-Based Paint Disclosure Form is a required form that must be disclosed to buyers/tenants upon the sale or lease of residential property constructed before 1978.

True

False

85. The EPA has NOT classified formaldehyde as a probable human carcinogen.

True

False

86. The license law and the law of agency, require the licensee to present ________ offers to the seller.

A. the best
B. all
C. his or her own
87. The licensee MUST give the buyer a copy of the offer immediately following the buyer’s signing.

True

False

88. Once the seller accepts the offer and signs it, the licensee need not give a copy of the signed offer to the seller.

True

False

89. The most typical inspection in a residential real estate transaction is a Structural Pest Inspection performed by a licensed inspector.

True

False

90. The amount of the down payment
A. is dependent upon which type of loan is being purchased.
B. must be lower for those who have poor credit