Professional

Real-Estate-Licensing
National Real Estate Licensing: Salesperson, Broker, Appraiser

Latest Version: 6.0

Question: 1

Which federal law was passed to prevent the practice of redlining and other forms of housing discrimination?

A. RESPA
B. ECOA
C. Fair Housing Act
D. Home Mortgage Disclosure Act

Answer: C

Explanation:
The Fair Housing Act was passed in 1968 to eliminate discrimination based on race in the real estate industry.
RESPA (Real Estate Settlement and Procedures Act) was enacted in 1975 to limit the usage of escrow accounts, prohibit kickbacks, and provide parties to real estate transactions with full and accurate disclosures of settlement costs.
ECOA (Equal Credit Opportunities Act) is a federal law enacted in 1974 that made it illegal for any creditor to discriminate against a credit applicant for any reason other than his or her ability to repay.
The Home Mortgage Disclosure Act (HMDA) was enacted in 1975 and requires lenders to maintain records pertaining to mortgage loan data that may be provided to federal regulators for increased insights into lending practices.

Question: 2

Commissions earned by real estate agents after the completion of a sale are typically paid by which party to the transaction?

A. The buyer
B. The broker
C. The seller
D. The closing attorney

Answer: C

Explanation:
In most real estate transactions, agent commissions are paid by the seller through the proceeds of the sale. Commissions are typically split between the listing and seller's agents, and they are typically distributed by the sponsoring brokers.

Question: 3

Which of the following real estate practices was made illegal through the enactment of RESPA and involves the acceptance of items of value in exchange for an increase in business?

A. Redlining
B. Kickbacks
C. Blockbusting
D. Misrepresentation

Answer: B

Explanation:
Kickbacks in real estate occur when money or other items of value are accepted in exchange for unearned business. This practice was made illegal by the passage of RESPA in 1974.
Redlining is the practice of identifying minority or low-income neighborhoods as "high risk" resulting in denied mortgage lending or inflated insurance premiums. Blockbusting is the practice of instilling a sense of urgency or panic to sell or rent homes in a particular area due to changing neighborhood demographics. Homeowners are led to believe that the shifting demographics will negatively impact their home values and/or quality of life. Both practices were made illegal by the passage of the Fair Housing Act in 1968.
Misrepresentation occurs when an omission is made or when untrue information is shared with a party to a real estate transaction that has negative effects on the value of the home.

Question: 4

Lucy has recently placed her home for sale and is working with Bryant as her agent. At an open house for the property, Bryant is approached by Justin, a prospective buyer, who would like to confirm the lowest offer that Lucy would be willing to accept for the home. Bryant confirms the list price of the property and suggests that Justin work with his agent to submit his best offer if he is interested in moving forward. Which licensee obligation is Bryant fulfilling to the seller in this interaction?

A. Confidentiality
B. Obedience
C. Loyalty
D. Accounting

Answer: C

Explanation:
Loyalty is a licensee obligation which involves maintaining a clients best interests. In this scenario, Bryant does not disclose a number other than the posted list price in order to ensure that his seller would not be offered a figure below his expectations, and, instead, he encourages the prospective buyer to work with his agent to submit a competitive offer.
Answers A, B, and D represent other licensee obligations that are due to parties of a transaction.

The duty of confidentiality requires that an agent must not disclose any private details regarding the transaction or the finances of the parties being represented.
The duty of obedience means that an agent or broker must comply with all legal requests from the client in an expedient and respectful manner.
Accounting is the duty owed by a licensee to accurately account for all money involved in the transaction.

Question: 5

Under which of the following circumstances may the payment of transfer taxes be required, and which party would be responsible for the payment?

A. Home foreclosure, paid by the lender
B. Home refinance, paid by the buyer
C. Home sale, paid by the seller
D. Home auction, paid by the county

Answer: C

Explanation:
Transfer taxes are paid with the exchange or conveyance of property. These costs are factored into overall closing costs and are assessed by the county, city, or state with fluctuation in rates depending on location. These taxes are most commonly paid by the seller of the home.

Question: 6

Which of the following is NOT a physical characteristic of real property?

A. Uniqueness
B. Immobility
C. Utility
D. Indestructibility

Answer: C

Explanation:
Uniqueness, immobility, and indestructibility are all characteristics of real property, making answer choice C the correct selection.
Although physical property may serve a useful purpose, such as for storage or for private enjoyment, this characteristic is not classified as a physical descriptor.

Question: 7

Jerry has recently signed a lease agreement to rent a home for 12 months. During the contract, he will pay rent each month. The landlord will allow the use of the home and will provide maintenance as needed. Which contract type is represented by this agreement?

A. Executed contract
B. Executory contract
C. Implied contract
D. Unilateral contract

Answer: B

Explanation:
An executory contract is a contract type in which performance has not fully taken place or will take place over a period. Jerry's rent payments and the landlord's agreement to provide the dwelling and any necessary maintenance represent an executory contract.
An executed contract is one in which the performance of all outlined requirements has been fulfilled.
An implied contract occurs when there is an informal agreement in place between parties constituting acceptance.
A unilateral contract takes place when an agreement is made to pay for specific performance by one party; however, the other party is not legally obligated to fulfill the performance requirement.

Question: 8

Which of the following circumstances may result from the termination of an agency relationship by a buyer or seller?

A. An agency relationship may not be terminated once the contract has been signed.
B. There are no consequences to terminating an agency relationship.
C. The buyer or seller may be responsible for the agent's commission fee.
D. The agency may be entitled to both the seller's agents and buyer's agent's expected commissions for the sale.

Answer: C

Explanation:
When a buyer or seller terminates an agency relationship prior to the completion of the transaction, the terminating party may be liable for the agent's commission fee and/or transaction related expenses.
In a contract termination, there is the option to cancel the contract under certain circumstances: however, there may be costs associated with doing this, making choices A and B incorrect. Similarly, choice D is incorrect because the agency, if entitled to compensation, will only be owed compensation lost or due to them for services rendered.

Question: 9

Which of the following represents an encumbrance that allows a third-party legal claim or authorized access to a property?

A. The mortgage
B. A deed restriction
C. An encroachment
D. A property tax payment

Answer: A

Explanation:
The mortgage represents a financial encumbrance that allows the lender the legal right to the property if the borrower defaults on the payment.
A deed restriction sets a limit on the way in which a property can be utilized: however, this does not allow rights for third-party property use or access.
Encroachment is the unauthorized use of land, including physical interferences, such as a property improvement extending over the established property line or an overgrovfth of vegetation surpassing the property line.
A property tax payment does not represent an encumbrance in itself; however, non-payment or late payment of property taxes will result in a lien being placed on the home, which would constitute a financial encumbrance.

Question: 10

Sierra and Mark are planning to sell their home. They do not have a strong preference for working exclusively with one real estate agent and have contacted a brokerage for assistance.
They would like the commissions from the sale to be split amongst any agents who assist in closing the sale by locating a buyer. Which type of brokerage agreement does this describe?

A. Exclusive right to sell
B. Net listing
C. Open listing
D. Exclusive agency listing

Answer: C

Explanation:
An open listing is one in which multiple agents work to locate a buyer for a home, and commissions are split if the efforts lead to the sale of the property.
A net listing is one in which any sale proceeds above and beyond the seller's desired profit for the home will go to the agent in commissions.
Exclusive right to sell and exclusive agency can be used interchangeably. Both describe brokerage contracts in which an agent is entitled to a commission payment irrespective of whether he or she locates a buyer for the property or if this is done by another agent.

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