

FUNDAMENTALS OF REAL ESTATE

PRACTICE MID-TERM EXAM

CHAPTER 2	PROPERTY OWNERSHIP AND INTERESTS
CHAPTER 3	TRANSFER OF TITLE TO REAL PROPERTY
CHAPTER 4	LAND USE CONTROLS
CHAPTER 5	BROKERAGE RELATIONSHIPS
CHAPTER 6	REAL ESTATE CONTRACTS
CHAPTER 12	FAIR HOUSING

ANSWER KEY FOLLOWS QUESTION #50

HPW REAL ESTATE SCHOOL

1. In North Carolina the property tax rate can be adjusted
 - A. Every year
 - B. Every 2 years
 - C. Every 4 years
 - D. Every 8 years

2. Which of the following statements is/are correct
 - I. An appurtenant easement involves two separate tracts of land owned by two separate persons
 - II. An easement in gross does not convey when the property is sold
 - A. I only
 - B. II only
 - C. Both I and II
 - D. Neither I nor II

3. Conrad Contractor finished work on June 10th on an addition that he had contracted to build for a property owner. The owner did not pay Conrad for the job. On November 1 Conrad filed a Notice of Mechanic's lien claim on the property
 - A. Conrad does not have a valid Mechanics Lien on the property
 - B. Conrad has a valid Mechanic's lien that dates back to the first day he supplied labor or materials to this site.
 - C. Conrad has a valid Mechanic's lien that is effective back to June 10th.
 - D. Conrad has a valid Mechanic's lien that is effective as of November 1

4. Which of the following is not an example of a trade fixture?
 - A. Escalator in a department store
 - B. Display shelving and racks in a grocery store
 - C. Built-in bar stools and booths in a waffle shop
 - D. Gasoline Storage tanks at a service station

5. Ronnie and Don took title to a house in Raleigh as joint tenants. The following year Don sells his interest to Wendy. Which of the following is correct?
 - A. Ronnie and Wendy now own the property as joint tenants
 - B. Ronnie and Wendy now own the house as joint tenancy for Ronnie and tenant in common for Wendy.
 - C. Ronnie and Wendy now own the house as tenants in common
 - D. Ronnie and Wendy own the house as tenants by entireties.

6. An example of a freehold estate that is not inheritable by the owners heirs include.
- I. Pur Autre Vie
 - II. Estate for Years
 - III. Life Estate in Reversion
- A. I only
 - B. III only
 - C. II and III only
 - D. I, II, and III
7. Kelley and William purchased a house together in 2003 with the deed simply listing both of them as Grantees without specifying how they were to hold title. They married each other early in 2004. How do they now likely hold title to the house if they have not made any other adjustments to their deed?
- A. Tenancy by Entirety
 - B. Tenancy in Severalty
 - C. Joint Tenancy
 - D. Tenancy in Common
8. Sally has a life estate in a house in Greensboro. She transfers the property “to Sam Smith and his heirs forever”. Sam receives
- A. Fee Simple Absolute Estate
 - B. Fee Simple Determinable Estate
 - C. Traditional Life Estate
 - D. An Estate pur autre vie
9. Which of the following automatically includes the right of survivorship?
- A. Tenancy by Entirety
 - B. Life Estate
 - C. Joint Tenancy
 - D. Tenancy in Common
10. In which type of condominium transaction does the developer have the right to exempt himself from the requirement to give the purchaser the public offering statement prior to the first offer?
- I. New residential unit
 - II. New non-residential unit
- A. I only
 - B. II only
 - C. Both I and II
 - D. Neither I nor II

11. Unpaid real property taxes lawfully become a lien against the property as of what date?
- A. After December 31 of the tax year
 - B. September 1 of the tax year
 - C. July 1 of the tax year
 - D. January 1 of the tax year
12. A husband and wife own a property in tenancy by entirety. Who is the only person that the husband can convey his interest to without the wife's signature and yet have a valid conveyance?
- A. He cannot, it requires two signatures
 - B. The wife is the only one
 - C. To himself to make his half interest to be in severalty
 - D. None of the above
13. The government wants to acquire a parcel of land for a public use under the right of eminent domain. The property owner objects to the price the government is willing to pay and protests the acquisition. Which of the following is true?
- A. The government is required to renegotiate the price of the property
 - B. The government can acquire the property by "Quick Take" and negotiate later
 - C. The government can condemn the property only after the price issue has been resolved
 - D. The government will be significantly delayed by the property owner's protests
14. In a North Carolina General Warranty Deed, which of the following must be contained in the deed?
- A. There is no requirement for reference to consideration
 - B. The deed must reflect the purchase price paid
 - C. The deed must show that consideration is present even if it has nothing to do with the purchase price
 - D. The deed will only show the consideration by allowing you to compute the price paid from the revenue stamps.
15. Which of the following methods of legal description is more likely to be utilized in describing a house on a subdivision lot in a fairly urban area?
- A. Informal Reference
 - B. Metes and Bounds
 - C. Reference to recorded plat
 - D. Street Address

16. Thomas has deeded his property to Keith on April 6. Keith records his deed on April 10. On April 8th Thomas sells the same property to Robert who promptly records the same day. Who is recognized as the owner under the Conner Act?
- A. Thomas
 - B. Keith
 - C. Robert
 - D. It cannot be determined from this information
17. Harold has opened a small engine repair shop in the garage behind his home even though this does not comply with current zoning law. He sells the property two years later to a buyer who also intends to operate a small engine repair shop. Which of the following is true?
- A. This is an example of a non conforming use
 - B. This is an example of illegal use
 - C. Harold needs to obtain a variance to operate his shop
 - D. Harold needs to obtain a special use permit to operate his shop
18. An on site agent has a buyer who wants to acquire a lot in a section of this subdivision that has not yet been recorded. What may the on-site agent legally do
- A. Accept a lot reservation fee but not have the buyer sign a binding contract to purchase
 - B. Take a deposit on the lot but not cash it
 - C. Take their name but not accept any monies or enter into a contract for purchase of the lot
 - D. Sell the lot but not start construction until the plat is actually recorded
19. The developer of Happy Hills Subdivision has recorded the declaration of restrictive covenants for the subdivision. Which of the following is true?
- I. The restrictive covenants may only be enforced by the developer.
 - II. A Homeowner who violates the restrictive covenants may be fined or made to remove the offending structures.
- A. I only
 - B. II only
 - C. Both I and II
 - D. Neither I nor II
20. Which of the following is NOT an example of a public land use control?
- A. Protective covenants
 - B. Zoning
 - C. Interstate sales of subdivided land
 - D. Variance

21. Jones, an Atlanta, Georgia area real estate Broker has agreed with Angel, a Charlotte area broker to let Jones show his client a house in Charlotte with Angel to share 50% of the total commission if the sale is completed. Jones brings his client and in fact sells the client the house. After the sale is closed, Angel refuses to pay Jones half of the commission. Given these circumstances, Jones
- A. Can legally recover his share of the commission since Angel had agreed originally to pay him
 - B. Cannot legally be paid half the commission since he does not have a valid North Carolina Real Estate Broker's license
 - C. Can legally be paid half the commission if Georgia real estate law permits him to be paid
 - D. May legally file a lis pendens against the property if Angel refuses to pay him after the sale
22. Roberta shows her listing to a buyer who makes an offer that was ultimately accepted by the seller. Before the closing, the buyer has a family emergency that necessitates he move to another town. The seller sympathizes with the purchaser and allows them to withdraw from the contract and releases them from all further obligation. The seller
- A. Owes Roberta the selling "side" of the commission
 - B. Owes Roberta only the expenses incurred by her in selling the property to this particular client
 - C. Does not owe Roberta a commission since the property was not ultimately closed
 - D. Owes Roberta the full commission even though the seller has released the buyer from the obligation in this transaction
23. Carla, the listing agent is aware of a major problem with a house she has just listed. The seller has indicated "no representation" regarding this problem on the Seller Residential Property Disclosure Statement. As a result of the seller's "no representation" disclosure, Carla does not disclose the defect to the selling agent who does not discover the defect. As a result the buyer is never told about the problem. Under licensing law in North Carolina, who is liable to the buyer for the non-disclosure?
- A. The seller and the listing agent
 - B. The listing agent only
 - C. Both the listing agent and selling broker
 - D. The seller, and the listing and selling brokers

24. The Broker-in-Charge at Acme Realty wants to be a designated agent in a transaction involving another agent in his office. Who can this Broker-in-Charge be in designated agency with?
- A. A Broker licensee even though they already possess prior knowledge about personal/confidential information regarding the party represented by the Broker-in-Charge
 - B. The Broker-in-Charge cannot legally participate in designated agency with any of his agents in his office.
 - C. A salesperson licensee so long as the buyer and seller give their written permission and such act does not violate company policy
 - D. A broker licensee who does not possess prior personal/confidential information regarding the person represented by the Broker-in-Charge
25. Ralph and Sandra are both agents at Howard Perry & Walston Realty. Ralph presents an offer, on behalf of his buyer client to Sandra, the listing agent. Sandra presents the offer to her seller who counteroffers in writing for more money. Ralph presents this counteroffer to his buyer who signs his acceptance in Ralph's presence. After the buyer signs, but before Ralph has notified Sandra, she contacts Ralph to inform him that her seller wishes to withdraw the counteroffer and sell to someone else for more money. Which of the following is true?
- A. There is a valid contract since Ralph's buyer accepted in his presence and both Ralph and Sandra are dual agents.
 - B. Sandra's seller can withdraw since neither Sandra nor her seller had yet been informed of the buyer's acceptance.
 - C. Sandra's seller can withdraw since the actual paperwork had not yet been returned to Sandra and the earnest money had not yet been deposited.
 - D. None of the above.
26. An agent's responsibilities and duties to a third person include
- A. Loyalty to all personal information disclosed by that third party.
 - B. Disclosure of all material facts the agent knows or reasonably should know
 - C. Disclosure of personal information about the principle
 - D. Obedience to be lawful instructions of the third party
27. Eleanor is acting legally in the capacity of a verbal buyer agent. Which of the following is not true.
- A. Verbal buyer agency agreements are not legal
 - B. This verbal buyer agency must be non-exclusive.
 - C. She must have her buyer agency agreement in writing at the time she attempts to limit the ability of the buyer to work with another agent
 - D. She cannot enter into dual agency with a verbal buyer agency agreement it must first be in writing

28. Which of the following types of listing agreement allow for the seller to personally sell their own property without having to pay the broker a commission?
- I Open Listing
 - II Exclusive Agency
 - III Exclusive Right to Sell
- A. I only
 - B. III only
 - C. Both I and II
 - D. Both II and III
29. An agent, based upon statements made by the seller, tells her buyer that all mechanical systems are in “good working order”. The agent did not personally verify this information. The buyer decided not to have the property inspected since the seller had indicated they were selling “as is” condition. After the closing the furnace is found to be defective and must be replaced.
- A. The agent is not liable because the buyer opted to not have it inspected.
 - B. The agent is not liable since he relied upon representation made by the seller
 - C. The agent is guilty of an innocent omission of material fact
 - D. The agent is guilty of a negligent misrepresentation of material fact
30. In regards to the “Working With Real Estate Agents” pamphlet, it
- A. Is used by the buyer agent and is not require of a listing agent
 - B. Should be completed at the same time as the verbal buyer agency agreement and put in writing prior to the offer to purchase
 - C. Must be reviewed and presented by the time of first substantial contact.
 - D. Is evidence of the exclusive buyer agency agreement
31. A real estate agent is typically considered to be in what form of agency relationship?
- A. Special Agency
 - B. General Agency
 - C. Universal Agency
 - D. Exclusive Agency

32. Oral buyer agency in North Carolina
- I. is only permitted prior to first substantial contact at which time it must be put in writing
 - II. must be converted to writing at such time as the agent wishes to restrict the buyers right to work with someone else.
 - III. Must be converted to writing immediately after the offer to purchase is accepted.
- A. I only
 - B. II only
 - C. III only
 - D. II and III only
33. At what point in time must a potential listing agent review and discuss the “Working With a Real Estate Agent” brochure?
- A. Before obtaining any personal/confidential information from the seller
 - B. At the time the listing presentation is made
 - C. As soon as the agent first has any actual contact with the seller
 - D. Before obtaining any material fact information from the seller
34. Which of the following is true regarding the proper handling of earnest money deposits received in connection with the standard offer to purchase and contract?
- I. Earnest money should be delivered to the firm designated as the escrow agent and then deposited in a trust or escrow account in an insured bank or savings and loan in North Carolina.
 - II. All earnest monies received by a licensed salesperson must be immediately delivered to the salesperson’s employing broker or firm for deposit.
- A. I only
 - B. II only
 - C. Both I and II
 - D. Neither I nor II
35. Which real estate contract must be in writing under the statute of frauds in order to be enforceable?
- A. The Offer to Purchase and Contract
 - B. The Exclusive Right to Sell Listing
 - C. The Exclusive Buyer Agency Agreement
 - D. Short term leases of less than three years

36. A purchaser submits an offer to purchase which stipulates that it shall remain valid until August 10th at which time it shall be null and void. It further states that the buyer agrees to not terminate this offer prior to this time for any reason whatsoever. This offer is
- A. Irrevocable until August 10
 - B. Revocable up until the seller or seller agent actually receives the offer and then not until after August 10th.
 - C. Irrevocable only once the seller or seller agent actually receive the offer
 - D. Revocable at any time prior to August 10.
37. Under the Installment Land Contract (Contract for Deed), what interest best describes the buyer's rights in the property?
- A. Legal Title
 - B. Equitable Title
 - C. Fee Simple Title
 - D. Constructive Title
38. A seller and buyer are involved in a dispute over a sales transaction. The buyer is now demanding that the broker return his \$2,500 earnest money deposit to him. The seller tells the buyer that "he will never see his deposit again" since he considers the buyer to be in breach of contract. The broker should
- A. Give the buyer the deposit back if he thinks the seller is wrong and no breach exists
 - B. Give the money to the seller if he thinks the buyer is in default
 - C. Hold the money in trust until the buyer and seller each sign a written release
 - D. Hold the money in trust until the buyer and seller each tell him what they have agreed to do to resolve the issue
39. Donald owns a piece of vacant land that he would like to sell. He enters into a contract with Walston that states if Donald decides to sell this property in the next three years he will give Walston the first opportunity to purchase it. Their agreement does contain a reasonable formula for computing the purchase price if this should happen. This is known as a(n)
- A. Option Agreement
 - B. Right of First Refusal
 - C. Binder Agreement
 - D. Installment land contract
40. A prospective purchaser has made an offer to the owner's agent who in turn has mailed the offer to his seller. The seller has received this offer, signed it and has now mailed it back to the agent. While the documents were in the mail, another offer for more money was made to the seller's agent. The agent called the seller to inform him about this new offer and the seller instructs him to disregard the signed agreement because he wants to accept this new offer. Which of the following is true?

- I. The first offer has been legally accepted
 - II. The second offer has been legally accepted
- A. I only
 - B. II only
 - C. Both I and II
 - D. Neither I nor II
41. Which of the following is not a requirement for a contract to be considered legally binding?
- A. Legal Acknowledgement
 - B. Legal purpose
 - C. Legal Consideration
 - D. Legal Capacity of parties
42. The act of overcoming the free will of a person in order to induce them to enter into a contract they would not otherwise have entered is an example of
- A. Undue influence
 - B. Contractual interference
 - C. Frustration of purpose
 - D. Duress
43. Sarah is a listing agent who is presenting an offer to purchase to the seller. The seller is in agreement with all aspects of the contract except the closing date. The seller changes the closing date to 10 days later and signs the offer to purchase. Sarah now delivers the signed document back to the buyer. In this case...
- I. There is a rejection of the buyers offer
 - II. There is a counteroffer to this original offer
- A. I only
 - B. II only
 - C. Both I and II
 - D. Neither I nor II
44. The clause that is inserted into a listing agreement that protects the broker in the event the seller and buyer try to delay entering into a contract of sale so they can avoid the commission to the agent is known as a
- A. Protection Agreement clause
 - B. Automatic Removal clause
 - C. Extender clause
 - D. It is illegal to insert a clause of this type

45. In the Standard Offer to Purchase and Contract of Sale when does “closing” occur?
- A. At the attorney’s office when all documents are signed
 - B. When the seller is mail their funds
 - C. When the deed is delivered
 - D. When the deed is recorded
46. An option to purchase differs from a right of first refusal in that
- A. They are actually two names commonly used to describe the same thing
 - B. In an option the purchaser is required to purchase the property if the seller decides to sell
 - C. In a right of first refusal the seller is not required to sell if the buyer wants to buy
 - D. In an option the seller is not required to sell if the buyer decides to buy
47. Which of the following examples of advertising violate the Federal Fair Housing Act?
- I. Advertising that the landlord prefers to rent to elderly, Christian gentleman
 - II. Advertising apartment units where only white persons are accepted as tenants
- A. I only
 - B. II only
 - C. Both I and II
 - D. Neither I nor II
48. Which of the following is not a legal handicap under the Federal Fair Housing Act?
- A. Drug Addiction
 - B. AIDS
 - C. Mental Retardation
 - D. Hearing Impaired
49. The terminology that is used to describe a situation in which an agent attempts to influence and exploit the racial turnover in a neighborhood is
- A. Redlining
 - B. Racial Steering
 - C. Blockbusting
 - D. Racial “Flipping”

50. A homeowner has decided to sell their personal home "for sale by owner" There is no real estate agent involved and they own less than three houses and no discriminatory advertising has been used. The owner now discriminates against a buyer because of race. The owner

I. is in direct violation of the Federal Fair Housing Act of 1968

II. is in Direct Violation of the North Carolina Fair Housing Act in 1983

III. is in Direct Violation of the Civil Rights Act of 1866

- A. I and II
- B. II and III
- C. I only
- D. III only

ANSWER KEY

CHAPTER 2 PROPERTY OWNERSHIP AND INTEREST

1. A
2. A
3. A
4. A
5. C
6. B
7. D
8. C
9. A
10. B
11. D
12. B

CHAPTER 5 BROKERAGE RELATIONSHIPS

21. B
22. D
23. B
24. D
25. A
26. B
27. A
28. C
29. D
30. C
31. A
32. B
33. A

CHAPTER 3 TRANSFER OF TITLE TO REAL PROPERTY

13. B
14. C
15. C
16. C

CHAPTER 6 REAL ESTATE CONTRACTS

34. C
35. A
36. D
37. B
38. C
39. B
40. D
41. A
42. A
43. C
44. C
45. D
46. C

CHAPTER 4 LAND USE CONTROLS

17. B
18. C
19. B
20. A

CHAPTER 12 FAIR HOUSING

47. C
48. A
49. C
50. B



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