



REAL ESTATE SCHOOL

FUNDAMENTALS OF REAL ESTATE

PRACTICE MID-TERM EXAM



Text Chapter 1-10
Math Questions Are Contained In Separate Materials
Answer Key Follows Question #50

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?**
 - A. An appurtenant easement involves two separate tracts of land owned by two separate persons
 - B. An easement in gross does not convey when the property is sold
 - C. The land upon which the easement exists is the dominant tract
 - D. The property that benefits from the easement is known as the servient estate

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.**
- A. Pur Autre Vie
 - B. Estate for Years
 - C. Life Estate in Reversion
 - D. Fee Simple Absolute
7. **Kelley and William purchased a house together in 2003 with the deed simply listing both of them as Grantee 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. A married purchaser of a condominium unit will receive title to the land on which the condominium is constructed as a
- A. tenant by entirety
 - B. tenant in common
 - C. tenant at will
 - D. joint tenant
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?**
- A. The protective covenants may only be enforced by the developer**
 - B. A Homeowner who violates the protective covenants may be fined or made to remove the offending structures**
 - C. A purchaser cannot obtain a building permit to erect a structure that violates the neighborhood protective covenants**
 - D. The protective covenants are one of the primary “public” land use controls utilized by local governments**
- 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?
- A. Open Listing
 - B. Exclusive Agency
 - C. Exclusive Right to Sell
 - D. Net Listing
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**
- A. is only permitted prior to first substantial contact at which time it must be put in writing**
 - B. must be converted to writing at such time as the agent wishes to restrict the buyer’s right to work with someone else**
 - C. must be converted to writing immediately after the offer to purchase is accepted**
 - D. will not allow the broker to work in the capacity of an oral dual agent until such time as the buyer agency agreement is converted to writing**
- 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?**
- A. Earnest money deposits are never allowed to be placed into an interest bearing account unless the buyer and seller have each orally agreed to such deposit.**
 - B. In the event the buyer decides to terminate the sales agreement prior to the due diligence date the seller will retain any earnest money deposits paid by the buyer**
 - C. Earnest deposit monies in NC can be deposited in a bank located in another state as long as that bank allows NC Real Estate Commission access to the records upon request.**
 - D. A provisional broker is allowed three banking days in which they must deposit all earnest monies they receive into their personal trust or escrow account.**
- 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?
- A. The first offer is the only one that has been legally accepted
 - B. The second offer is the only one that has been legally accepted
 - C. The seller has agreed to sell his/her home to both the first and second buyers
 - D. The seller has not contracted to sell the house to anyone and is free to accept another offer if he/she chooses
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
- E. Undue influence
 - F. Contractual interference
 - G. Frustration of purpose
 - H. 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...**
- A. the seller can revoke the first agreement and accept the second offer since the buyer has not been delivered the copy of the signed document**
 - B. the seller can now tell each buyer to present their “final and best” offer and the seller will then make their final determination of who will purchase the property**
 - C. the signed agreement became a contract upon delivery to the buyer broker**
 - D. the first buyer’s offer became a binding contract at the time the seller signed the agreement**
- 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 mailed 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. The type of asbestos that will create airborne particles when you come into contact with it is called**
- A. non-friable**
 - B. volatile organic**
 - C. friable**
 - D. encapsulated**
- 48. The primary health risk due to radon is**
- A. lung cancer**
 - B. central nervous system damage**
 - C. asthma and other respiratory issues**
 - D. memory loss**
- 49. Which of the following is automatically considered to be a material fact that must be disclosed?**
- A. Death of a prior occupant**
 - B. Buyer agent having knowledge of buyer's willingness to pay a higher price**
 - C. Registered sex offender living in the area**
 - D. The listing agent having knowledge of how low the seller will accept**

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ANSWER KEY

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1.	A
2.	A
3.	A
4.	A
5.	C
6.	B
7.	D
8.	C
9.	A
10.	B
11.	D
12.	B
13.	B
14.	C
15.	C
16.	C
17.	B
18.	C
19.	B
20.	A
21.	B
22.	D
23.	B
24.	D
25.	A



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ANSWER KEY

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26.	B
27.	A
28.	C
29.	D
30.	C
31.	A
32.	B
33.	A
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
47.	C
48.	A
49.	C
50.	B



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