

## Real Estate Principles, Second Edition

Instructions: Quizzes are open book. All answers are multiple choice.

Quizzes are **optional** and may be taken as many times as you like.

Answer key is located on page 622.

### Quiz 1 – Chapters 1-3

- The California Legislature created the \_\_\_\_\_ to oversee, regulate, administer and enforce the real estate law.
  - Department of Home Finance
  - California Bureau of Veterans
  - Department of Real Estate (DRE)
  - Department of Agriculture and Property
- The chief officer of the Department of Real Estate (DRE) is the:
  - Real Estate Commissioner.
  - President of the United States.
  - Governor of California.
  - Real Estate Solicitor.
- To be eligible for a broker or agent license, the applicant needs to be honest and truthful, complete mandatory education and:
  - provide proof of legal presence in the U.S.
  - be at least 21 years of age.
  - have previously worked as an unlicensed assistant.
  - pass the qualifying exam.
- All real estate brokers and agents need to complete at least \_\_\_\_\_ of continuing education (CE) every four years to renew a license issued by the Department of Real Estate (DRE).
  - 15 hours
  - 30 hours
  - 45 hours
  - 50 hours
- The \_\_\_\_\_ is available to individuals who have obtained a judgment against a licensee and are unable to recover the judgment from the licensee for losses caused while acting as an agent.
  - Real Estate Recovery Fund
  - Broker Protection Fund
  - Homeowner Relief Fund
  - Borrower Education Fund
- A residential mortgage primarily for personal, family or household use and secured by a deed of trust on a dwelling is known as a:
  - consumer purpose mortgage.
  - public project loan.
  - adjustable rate mortgage (ARM).
  - Zero Ability to Pay (ZAP) loan.
- Agency in real estate related transactions includes relationships between brokers and their:
  - principals.
  - agents.
  - Both a. and b.
  - A real estate broker is never an agent.
- A broker's representation of a client, such as a buyer or seller, is best undertaken:
  - with an oral agreement only.
  - through coercion.
  - on a written employment agreement signed by both the client and the broker.
  - through ratification after acts requiring a license have been performed.
- The Agency Law Disclosure needs to be attached to which of the following documents and signed by all parties in targeted transactions?
  - A counteroffer.
  - A seller's listing agreement.
  - A lease agreement for a term exceeding one year.
  - All of the above.

10. Failure of the seller's agent to provide the seller with the Agency Law Disclosure prior to entering into the listing agreement may result in:
- a. payment of a \$1,000 fine.
  - b. the loss of their fee.
  - c. jail time.
  - d. the forfeiture of all funds in their trust account.

### Quiz 2 – Chapters 4-7

1. A(n) \_\_\_\_\_ arises when a broker or their agent, acting on behalf of a client, has a competing professional or personal bias which hinders their ability to fulfill the fiduciary duties they have undertaken on behalf of their client.
- a. affiliated business arrangement (ABA)
  - b. subagency
  - c. conflict of interest
  - d. implied agency
2. A(n) \_\_\_\_\_ is a broker who simultaneously represents the best interest of opposing parties in a transaction, e.g., both the buyer and the seller.
- a. dual agent
  - b. secret agent
  - c. subagent
  - d. finder
3. When a dual agency is established in a one-to-four unit residential sales transaction, the broker may not:
- a. pass on confidential pricing information to the opposing parties.
  - b. communicate to one of the parties without the express consent of the other.
  - c. collect their fee when the sale closes.
  - d. disclose material facts about the property which might dissuade the buyer from submitting an offer to purchase the property.
4. Funds belonging to others which a broker and their agents handle when acting in a transaction are called:
- a. broker fees.
  - b. trust funds.
  - c. bonds.
  - d. security deposits.
5. A broker is required to regularly account to an owner on the status, expenditure and location of negotiable trust funds, called a(n):
- a. balance sheet.
  - b. deposit receipt.
  - c. owner's statement.
  - d. amortization schedule.
6. Regardless of race, all citizens of the United States have the right to rent residential and commercial real estate under the federal:
- a. Civil Rights Act.
  - b. Freedom of Information Act.
  - c. Unruh Civil Rights Act.
  - d. Proposition 13.
7. \_\_\_\_\_ involves the restriction of a person seeking to buy or rent a dwelling in a community in a manner that perpetuates segregated housing patterns.
- a. Blockbusting
  - b. Redeveloping
  - c. Redlining
  - d. Steering
8. A residential landlord may not induce or attempt to induce an individual to offer, or abstain from offering, a dwelling to prevent the entry of certain classes of people into the neighborhood, known as:
- a. blockbusting.
  - b. condemnation.
  - c. redlining.
  - d. dual agency.
9. A(n) \_\_\_\_\_ is housing intended for and solely occupied by persons 62 years of age or older, or intended and operated for occupancy by persons of 55 years of age or older.
- a. senior citizen housing project
  - b. Section 8 housing project
  - c. common interest development (CID)
  - d. cooperative housing project

10. California's Unruh Civil Rights Act specifically prohibits discrimination on behalf of:
- a. educational institutions.
  - b. government institutions.
  - c. individuals.
  - d. businesses.

**Quiz 3 – Chapters 8-12**

1. California anti-discrimination law is enforced by:
  - a. the Department of Business Oversight (DBO).
  - b. the Department of Fair Employment and Housing.
  - c. the Department of Housing and Urban Development (HUD).
  - d. Fannie Mae.
2. Until \_\_\_\_\_ was added to the anti-discrimination laws in 1992, it was legal to exclude minors under the age of 18 from housing accommodations.
  - a. implicit discrimination
  - b. familial status
  - c. religious preference
  - d. senior citizen housing
3. \_\_\_\_\_ practices are those which are not openly discriminatory, but result in discriminatory effects.
  - a. Overtly discriminatory
  - b. Harmlessly prejudiced
  - c. Conflict of interest
  - d. Implicit discriminatory
4. Failing to provide financing in certain communities is called:
  - a. redlining.
  - b. redevelopment.
  - c. panic selling.
  - d. subordination.
5. The \_\_\_\_\_ is a 1974 federal enactment prohibiting lenders from discriminating against borrowers from a protected class.
  - a. Credit Reporting Act
  - b. Truth-in-Lending Act
  - c. Equal Credit Opportunity Act
  - d. Dodd–Frank Wall Street Reform and Consumer Protection Act
6. A lender may lawfully consider \_\_\_\_\_ when determining the applicant's creditworthiness.
  - a. a mortgage applicant's age
  - b. the religious preference of the mortgage applicant
  - c. whether the mortgage applicant intends to bear children
  - d. whether an applicant's income is derived from alimony
7. Consumers may request a free copy of their credit report \_\_\_\_\_ to review it for errors.
  - a. once every month
  - b. once every quarter
  - c. twice every year
  - d. once every year
8. The \_\_\_\_\_ requires lenders to compile and submit their home loan origination data to their respective supervisory agencies.
  - a. Equal Credit Opportunity Act
  - b. Home Mortgage Disclosure Act (HMDA)
  - c. Home Affordable Modification Plan (HAMP)
  - d. Federal Fair Housing Act (FFHA)
9. The printing or publishing of an advertisement for the sale or rental of residential property that indicates a wrongful discriminatory preference is a violation of the:
  - a. Unruh Civil Rights Act.
  - b. Federal Fair Housing Act (FFHA).
  - c. American with Disabilities Act (ADA).
  - d. Equal Credit Opportunity Act.

10. The Department of Housing and Urban Development (HUD) issues guidelines that require real estate brokers selling or renting single family residences (SFRs) display a(n):
- a. code of ethics.
  - b. copy of the broker's driver's license.
  - c. inspirational poster.
  - d. fair housing poster.

#### Quiz 4 – Chapters 13-17

1. A property defect which would likely affect the price a buyer would be willing to pay is referred to as:
- a. a material fact.
  - b. a matter of opinion.
  - c. circumstantial evidence.
  - d. an "as is" condition.
2. The broker analyzes the suitability of an income property which is for sale by preparing a(n) \_\_\_\_\_ and reviewing it with the buyer.
- a. Profit and Loss Statement
  - b. Balance Sheet
  - c. Annual Property Operating Data Sheet (APOD)
  - d. Investment Circular
3. A seller's broker and their agents have a \_\_\_\_\_, owed solely to the seller who has employed the broker, to diligently market the listed property for sale.
- a. non-fiduciary general duty
  - b. fiduciary agency duty
  - c. implied agency duty
  - d. limited general duty
4. A seller of a one-to-four unit residential property needs to complete and deliver to a prospective buyer a statutory form called a(n):
- a. Transfer Disclosure Statement (TDS).
  - b. Condition of Neighborhood Addendum.
  - c. Agency Law Disclosure.
  - d. Oil-Based Paint Disclosure (OBP).
5. Radon gas concentrations in enclosed, unventilated spaces located within a building where the underlying rock contains uranium is an example of a(n):
- a. environmental hazard located off a property.
  - b. environmental hazard located on a property.
  - c. natural hazard located off a property.
  - d. seismic hazard located on a property.
6. Environmental hazards not itemized in the Transfer Disclosure Statement (TDS) include:
- a. hazardous construction materials and waste.
  - b. window security bars and inoperable release mechanisms.
  - c. environmental noise.
  - d. whether the property is located in a special flood hazard area.
7. Natural hazards such as \_\_\_\_\_ come with the location of a parcel of real estate, not with the man-made aspects of the property.
- a. very high fire hazard severity zones
  - b. high local crime rates
  - c. security bars which interfere with an occupant's ability to exit a room
  - d. asbestos-containing building materials
8. To unify and streamline the disclosure made by a seller and their agent about natural hazards affecting a property, the California legislature created a statutory form called the:
- a. Transfer Disclosure Statement (TDS).
  - b. Natural Hazard Disclosure Statement (NHD).
  - c. Conflict of Interest Disclosure.
  - d. Mortgage Settlement Statement.

9. The Natural Hazard Disclosure Statement (NHD) handed to a prospective buyer does not disclose:
  - a. whether the property is located in an area of potential flooding.
  - b. whether the property is situated in a very high fire hazard severity zone.
  - c. environmental hazards and physical deficiencies in the soil or property improvements.
  - d. the fact the property was built in a seismic hazard zone.
10. The Natural Hazard Disclosure Statement (NHD) requires the seller's agent to disclose to a prospective buyer whether they have knowledge the property:
  - a. has a roof greater than three years old.
  - b. is located in a fault zone.
  - c. is located in an area with a high crime rate.
  - d. has an outdoor pool.

### Quiz 5 – Chapters 18-23

1. The federal lead-based paint (LBP) disclosure is required on all \_\_\_\_\_ residential construction.
  - a. pre-1978
  - b. post-1978
  - c. pre-1995
  - d. post-1995
2. A(n) \_\_\_\_\_ is any condition that causes exposure to lead from lead-contaminated dust, soil or paint which has deteriorated to the point of causing adverse human health effects.
  - a. natural hazard
  - b. lead-based paint hazard
  - c. oil-based paint hazard
  - d. neighborhood security hazard
3. \_\_\_\_\_ are exempt from federal lead-based paint (LBP) disclosure requirements.
  - a. Residential properties built prior to 1968
  - b. Single family residences built after 1970
  - c. Foreclosure sales of residential property
  - d. Resales of housing previously acquired by the lender at a foreclosure sale
4. A real estate agent has no affirmative duty to voluntarily disclose information to a potential buyer regarding a prior occupant whose death occurred on the real estate more than \_\_\_\_\_ years prior to the purchase offer.
  - a. one
  - b. two
  - c. three
  - d. An agent always need to disclose a death.
5. Ownership of a unit in a condominium project includes compulsory membership in:
  - a. the local trade union.
  - b. the homeowners' association (HOA).
  - c. Facebook.
  - d. the board of directors.
6. \_\_\_\_\_ levied by a homeowners' association (HOA) fund the operating budget to pay for the cost of maintaining the common areas.
  - a. Special assessments
  - b. Regular assessments
  - c. Mello Roos assessments
  - d. Extraordinary assessments
7. Any individual who holds themselves out as being in the business of preparing a home inspection report on a one-to-four unit residential property is referred to as a(n):
  - a. appraiser.
  - b. home inspector.
  - c. handyman.
  - d. subcontractor.
8. A statement by a structural pest control (SPC) company indicating the property is free of infestation in the visible and accessible areas is referred to as a:
  - a. Certificate of Completion.
  - b. Pest Elimination Voucher.
  - c. Pest Elimination Voucher.
  - d. Certificate of Completion.



- a. a title search.
  - b. escrow.
  - c. underwriting.
  - d. pre-approval.
10. The specific duties of the escrow officer in a particular transaction are documented in:
- a. the county records.
  - b. the escrow officer's oath.
  - c. the listing contract.
  - d. escrow instructions.

**Quiz 7 – Chapters 31-36**

1. The right of the government to take private property for public use is referred to as:
- a. theft.
  - b. put option.
  - c. eminent domain.
  - d. the power to tax.
2. \_\_\_\_\_ are interests in real estate which secure payment or performance of a debt or other monetary obligation, such as a trust deed lien or a local property tax lien.
- a. Liens
  - b. Legal descriptions
  - c. Title insurance policies
  - d. Bundle of rights
3. The first component of real estate is land, which includes:
- a. soil.
  - b. rocks.
  - c. reasonable airspace above the earth.
  - d. All of the above.
4. The right to use water is called a:
- a. riparian right.
  - b. taking.
  - c. fixture.
  - d. endorsement.
5. Incidental rights to real estate which are not located on the real estate nor reflected on its title are called:
- a. trade fixtures.
  - b. appurtenant rights.
  - c. fructus industriales.
  - d. freehold estates.
6. A(n) \_\_\_\_\_ lasts for a specific length of time as stated in a lease agreement entered into by a landlord and tenant.
- a. tenancy-at-will
  - b. estate at will
  - c. fixed-term tenancy
  - d. life estate interest
7. On expiration of a lease, a tenant who remains in possession of a property without an agreement or acceptance of rent by the landlord for the extended occupancy becomes a:
- a. holdover tenant.
  - b. equity purchaser.
  - c. subtenant.
  - d. successor tenant.
8. Improvements that become part of the real estate include walls, central air conditioning and:
- a. wash stations in a beauty salon.
  - b. chairs.
  - c. attached flooring.
  - d. drapes and curtains.
9. On expiration of a lease, the passage of real estate fixtures from the tenant to landlord is a conveyance called:
- a. waste.
  - b. tariff.
  - c. sacrifice.
  - d. reversion.
10. California established the \_\_\_\_\_ to act as a referee for all disputes over water rights.
- a. Department of Real Estate (DRE)
  - b. Department of Motor Vehicles (DMV)
  - c. Federal Water Conservation Authority (FWCA)
  - d. State Water Resources Control Board

**Quiz 8 – Chapters 37-43**

1. A(n) \_\_\_\_\_ is a recorded restriction which requires a property to be used for a specific purpose.
  - a. negative covenant
  - b. Declaration of Covenants, Conditions and Restrictions (CC&Rs)
  - c. covenant which does not run with the land
  - d. affirmative covenant
2. The location of a common property line that is represented by an improvement which acts as a demarcation of the property line is called a:
  - a. spite fence.
  - b. common boundary improvement.
  - c. implied boundary.
  - d. nuisance.
3. A(n) \_\_\_\_\_ is an improvement on real estate which extends onto real estate belonging to another person without their consent.
  - a. nuisance
  - b. trespass
  - c. encroachment
  - d. implied boundary
4. The property which benefits from an easement is referred to as the:
  - a. dominant tenement.
  - b. diminutive tenement.
  - c. servient tenement.
  - d. subsistence tenement.
5. A(n) \_\_\_\_\_ belongs to an individual and is their personal right.
  - a. easement in gross
  - b. appurtenant easement
  - c. easement running with the land
  - d. encroachment
6. \_\_\_\_\_ easements restrict an owner's ability to maintain or construct improvements which interfere with a neighbor's solar energy system.
  - a. Light
  - b. Air
  - c. View
  - d. Solar
7. If a property is landlocked, the owner of the property will most likely be able to acquire a(n):
  - a. easement by necessity.
  - b. partial easement.
  - c. easement by grant.
  - d. solar easement.
8. An easement is terminated by \_\_\_\_\_ if the easement holder places an excessive burden on the property encumbered by the easement.
  - a. abandonment
  - b. merger
  - c. forfeiture
  - d. prescription
9. A \_\_\_\_\_ is any wrongful and unauthorized entry onto real estate in the possession of another.
  - a. trespass
  - b. forcible detainer
  - c. transient possession
  - d. right of way
10. \_\_\_\_\_ refers to a method of acquiring title to real estate owned by another by openly maintaining exclusive possession of the property for a period of five years and paying all property taxes.
  - a. Eminent domain
  - b. Inheritance
  - c. Adverse possession
  - d. Probate



**Quiz 9 – Chapters 44-48**

1. The illegal sale of a controlled substance is considered a(n):
  - a. nuisance per se.
  - b. trespass.
  - c. unlawful detainer.
  - d. encroachment.
2. A \_\_\_\_\_ is a nuisance which affects an entire segment of the population.
  - a. private nuisance
  - b. continuing nuisance per se
  - c. public nuisance
  - d. temporary nuisance
3. A(n) \_\_\_\_\_ exists when the nuisance cannot be abated at a reasonable cost and by reasonable means.
  - a. permanent nuisance
  - b. easement by necessity
  - c. continuing nuisance
  - d. unlawful detainer
4. Under the \_\_\_\_\_, owners of adjacent properties uncertain over the true boundary agree to establish the location of their common lot line and acquiesce to the boundary line for at least five years.
  - a. agreed-boundary doctrine
  - b. statute of limitations
  - c. doctrine of estoppel
  - d. balancing hardships doctrine
5. The individual conveying real estate is called the \_\_\_\_\_ and the individual acquiring title is called the \_\_\_\_\_.
  - a. grantee; grantor
  - b. grantor; beneficiary
  - c. grantor; grantee
  - d. trustee; beneficiary
6. At the time of signing the deed, a capable grantor needs to:
  - a. possess their civil rights.
  - b. be of sound mind.
  - c. be an adult at least 18 years of age.
  - d. All of the above.
7. A(n) \_\_\_\_\_ is used to pass a fee simple interest in real estate from the grantor to another individual, unless a lesser interest is stated in the deed.
  - a. quitclaim deed
  - b. grant deed
  - c. warranty deed
  - d. bill of sale
8. To simply convey any interest in real estate without an assurance the individual holds that interest conveyed, a(n) \_\_\_\_\_ deed is used.
  - a. grant deed
  - b. abstract of title
  - c. quitclaim deed
  - d. implied covenant
9. For delivery of a deed to occur, the grantor needs to \_\_\_\_\_ and the grantee needs to \_\_\_\_\_.
  - a. place the deed in the mail; plan to accept the deed on certain conditions
  - b. physically hand the deed to the grantee; record the deed with the county
  - c. intend to convey title; accept the deed as immediately effective
  - d. intend to convey partial title; record the deed with the county
10. A(n) \_\_\_\_\_ is valid and enforceable after delivery until it is challenged due to a defect and declared invalid by court order.
  - a. voidable deed
  - b. void deed
  - c. void ab initio deed
  - d. implied deed

**Quiz 10 – Chapters 49-54**

1. All property acquired jointly by a married couple during the marriage, no matter how vested, is presumed to be:
  - a. community property.
  - b. separate property.
  - c. public property.
  - d. joint property.
2. A(n) \_\_\_\_\_ vesting is characterized by an ownership interest in property concurrently received by two or more individuals who share equally and have the right of survivorship.
  - a. tenancy in common
  - b. joint tenancy
  - c. community property
  - d. community property with right of survivorship
3. Lis pendens means:
  - a. Notice of Pending Action.
  - b. Notice of Prior Litigation.
  - c. Notice of Nonresponsibility.
  - d. Notice of Expungement.
4. To properly record a lis pendens, the lis pendens is required to identify the parties to the lawsuit and:
  - a. provide reasonable compensation for the real estate.
  - b. post a notice of the pending legal action on the property.
  - c. give an adequate description of the real estate.
  - d. be published in a newspaper in general circulation in the city where the property is located.
5. A(n) \_\_\_\_\_ is a written statement which presents an accurate, factual representation of title to the property being acquired, encumbered or leased.
  - a. preliminary title report
  - b. property profile
  - c. abstract of title
  - d. balance sheet
6. The \_\_\_\_\_ insures against all encumbrances affecting title which can be discovered by a search of public records prior to issuance of the policy, but does not cover against unrecorded encumbrances.
  - a. California Land Title Association (CLTA) standard policy
  - b. American Land Title Association (ALTA) policy
  - c. property profile
  - d. homestead exemption
7. A(n) \_\_\_\_\_ is the dollar amount of the equity in a homeowner's dwelling that the homeowner qualifies to hold which has priority on title over most judgment liens and some government liens.
  - a. overriding lien
  - b. homestead
  - c. interest deduction
  - d. negative equity
8. The submission of a(n) \_\_\_\_\_ to a private or institutional lender is the catalyst which sets the machinery of the mortgage industry in motion.
  - a. Letter of Intent (LOI)
  - b. appraisal report
  - c. Option to Purchase
  - d. mortgage application
9. A(n) \_\_\_\_\_ is an estimate of the buyer's settlement charges and mortgage terms delivered to the buyer within three business days following the lender's receipt of the mortgage application.
  - a. Good Faith Estimate (GFE)
  - b. Loan Estimate
  - c. HUD-1 or HUD-1A Closing Statement
  - d. Uniform Residential Loan Application

10. The \_\_\_\_\_ program assists qualified veterans or their surviving spouses to buy a home with a zero down payment.
- California Housing Finance Agency (CalHFA)
  - California Department of Veterans Affairs (CalVet)
  - U.S. Department of Veterans Affairs (VA) mortgage guarantee
  - Federal Housing Administration (FHA)-insured mortgage

**Quiz 11 – Chapters 55-61**

- A buyer's \_\_\_\_\_ is their ability to make mortgage payments, as evaluated by their debt-to-income (DTI) ratio.
  - balance sheet
  - mortgage capacity
  - loan-to-value ratio (LTV)
  - yield spread premium (YSP)
- The \_\_\_\_\_ insures mortgages with high loan-to-value ratios (LTV) that are made with less demanding cash down payment requirements than loans originated by conventional lenders.
  - Truth-in-Lending Act
  - Keep Your Home California program
  - MGIC Investment Corp.
  - Federal Housing Administration (FHA)
- A \_\_\_\_\_ occurs when a seller carries back a note executed by the buyer to evidence a debt owed for the purchase of the seller's property.
  - short sale
  - mortgage cramdown
  - seller financing arrangement
  - loan assumption
- The tax impact a carryback seller will receive on their carryback financing is \_\_\_\_\_ category income, regardless of whether the property sold was in another income category.
  - portfolio
  - passive
  - earned
  - deductible
- The amount of interest a private, non-exempt lender can charge is regulated by statute and the California Constitution, collectively called:
  - usury laws.
  - Fair Housing Laws.
  - private mortgage insurance (PMI).
  - loan sharking.
- The most common penalty suffered by a non-exempt private lender in violation of usury laws is:
  - a five year jail sentence.
  - the forfeiture of all interest paid on the loan.
  - the forfeiture of all principal remaining due.
  - a \$100,000 fine.
- Default mortgage insurance coverage provided by private insurers for conventional loans with loan-to-value ratios higher than 80% is referred to as:
  - the loan-to-value ratio (LTV).
  - homeowners' insurance.
  - private mortgage insurance (PMI).
  - American Land Title Association (ALTA) insurance.
- A note calling for the entire amount of its principal to be paid together with accrued interest in a single lump sum when the principal is due is called a(n):
  - straight note.
  - installment note.
  - interest-extra note.
  - interest-included note.

9. \_\_\_\_\_ call for periodic adjustments to the interest rate and the amount of scheduled payments.
  - a. All-inclusive trust deeds (AITDs)
  - b. Adjustable rate mortgages (ARMs)
  - c. Fixed-rate mortgages
  - d. shared appreciation mortgages (SAMs)
10. A mortgage providing for installment payments to be periodically increased by predetermined amounts to accelerate the payoff of principal is known as a(n):
  - a. shared appreciation mortgage (SAM).
  - b. graduated payment mortgage (GPM).
  - c. adjustable rate mortgage (ARM).
  - d. all-inclusive trust deed (AITD).

### Quiz 12 – Chapters 62-67

1. A(n) \_\_\_\_\_ imposes an additional charge if a mortgage payment is not received by the lender when due or within a grace period.
  - a. due-on clause
  - b. final/balloon payment provision
  - c. late charge provision
  - d. acceleration clause
2. \_\_\_\_\_ is the minimum grace period allowed for a private lender secured by an owner-occupied single family residence (SFR), even if the homeowner agrees to a shorter grace period, or no grace period is agreed to.
  - a. Two days
  - b. Five days
  - c. Ten days
  - d. One month
3. An owner of real estate who wants to pay off principal on a debt before it is due may be levied an additional charge by the lender, called a(n):
  - a. grace period.
  - b. balloon payment.
  - c. prepayment penalty.
  - d. late fee.
4. A(n) \_\_\_\_\_ is any final payment on a note which is an amount greater than twice the amount of any one of the six regularly scheduled preceding payments.
  - a. late charge
  - b. balloon payment
  - c. usury limit
  - d. prepayment penalty
5. Notice of a final/balloon payment needs to be given to the buyer or current owner \_\_\_\_\_ before its due date.
  - a. 30 days
  - b. 60 days
  - c. 70 days
  - d. 90 days
6. The \_\_\_\_\_ is the preferential method used to impose a lien on real estate.
  - a. promissory note
  - b. trust deed
  - c. due-on clause
  - d. Notice of Nonresponsibility
7. The \_\_\_\_\_, such as a lender or carryback seller, is the entity entitled to the performance of the promised activity referenced in the trust deed as the purpose for obtaining the security.
  - a. trustee
  - b. trustor
  - c. beneficiary
  - d. executor
8. When the lender enters into an agreement with both the buyer and seller for the buyer's assumption of the loan and a release of the seller's liability, this is known as a:
  - a. substitution of security.
  - b. novation.
  - c. equitable subordination.
  - d. subject-to transaction.

9. The occurrence of an event which triggers due-on enforcement automatically allows the lender to call the loan, also known as:
  - a. waiver by consent.
  - b. acceleration.
  - c. recasting.
  - d. subordination.
10. The due-on clause is triggered not only by a transfer using a standard grant deed, but by a lease with a term over:
  - a. six months.
  - b. one year.
  - c. two years.
  - d. three years.

**Quiz 13 – Chapters 68-72**

1. The \_\_\_\_\_ contained in a trust deed authorizes the trustee to initiate a non-judicial foreclosure sale of the property on a declaration of default and instructions to foreclose from the beneficiary.
  - a. liquidated damages clause
  - b. arbitration clause
  - c. indemnification provision
  - d. power-of-sale provision
2. Prior to completion of the trustee’s sale, an owner may \_\_\_\_\_ by paying all sums due under the note and trust deed and reimbursing the lender’s costs of foreclosure.
  - a. redeem property in foreclosure
  - b. subordinate the lender’s interest
  - c. initiate foreclosure
  - d. hypothecate the note
3. Before recording a Notice of Default (NOD) on a trust deed securing a purchase-assist mortgage on a borrower’s principal residence, a mortgage holder needs to:
  - a. contact the county sheriff to notify them of the imminent sale.
  - b. offer to modify the terms of the mortgage or temporarily suspend collection of mortgage payments.
  - c. record and post a Notice of Trustee’s Sale (NOTS).
  - d. conduct a pre-foreclosure workout with the owner.
4. Within \_\_\_\_\_ after recording a Notice of Default (NOD), the trustee sends a copy of the NOD by registered or certified mail to holders of a recorded interest in the secured property.
  - a. one week
  - b. one month
  - c. one year
  - d. two years
5. At least \_\_\_\_\_ the date selected by a trustee to hold a trustee’s sale, the trustee sends two copies of the Notice of Trustee’s Sale (NOTS) to each party the trustee previously sent a Notice of Default (NOD).
  - a. 20 calendar days before
  - b. 6 business days before
  - c. three months before
  - d. 30 calendar days before
6. A trustee’s sale is considered final and complete:
  - a. when a beneficiary makes a bid.
  - b. when the trustee records a Notice of Default (NOD).
  - c. on the trustee’s acceptance of the last and highest bid.
  - d. when the lender signs the certificate of sale.
7. A(n) \_\_\_\_\_ is the court-ordered sale by public auction of a secured property, lasting from eight months to multiple years before it is completed.
  - a. judicial foreclosure
  - b. nonjudicial foreclosure
  - c. trustee’s sale
  - d. power-of-sale foreclosure

8. A(n) \_\_\_\_\_ is issued to the successful bidder on the completion of a judicial sale.
- a. certificate of sale
  - b. Notice of Trustee's Sale (NOTS)
  - c. fair value hearing certificate
  - d. Advance Fee Disclosure
9. The \_\_\_\_\_ is an itemized deduction for income tax reporting allowing homeowners to deduct interest and related charges they pay on a mortgage encumbering their primary or second homes.
- a. alternative minimum tax (AMT)
  - b. mortgage interest deduction (MID)
  - c. mortgage cramdown
  - d. short sale proceeds
10. A \_\_\_\_\_ is an individual's home where the homeowner's immediate family resides a majority of the year, is close to the homeowner's place of employment and banks which handle the homeowner's accounts.
- a. recreational vehicle
  - b. second home
  - c. vacation property
  - d. principal residence

### Quiz 14 – Chapters 73-78

1. Tenant negotiations that can be performed by unlicensed agents who have been retained to manage an apartment building include:
- a. rental or lease negotiations.
  - b. landlord-related solicitations.
  - c. accepting rents and security deposits.
  - d. entering into property management agreements with the landlord.
2. Apartment complexes with \_\_\_\_\_ need to have a resident manager.
- a. 12 or less units
  - b. a community pool
  - c. 16 or more units
  - d. an on-site fitness facility
3. The intangible image or opinion held about a property which affects its earning power is known as:
- a. goodwill.
  - b. business operations.
  - c. opportunity costs.
  - d. conflicts of interest.
4. A(n) \_\_\_\_\_ runs for an indefinite period of time since it automatically renews monthly, and on the same terms, until modified or terminated by notice.
- a. fixed-term lease
  - b. month-to-month rental agreement
  - c. tenancy-at-sufferance
  - d. triple net lease
5. To avoid disputes over who is responsible for any damage to the premises, the residential landlord and tenant complete and sign a(n) \_\_\_\_\_ before the tenant is given possession.
- a. Notice of Nonresponsibility
  - b. open listing
  - c. right of first refusal
  - d. condition of premises addendum
6. A lease agreement conveying a term of occupancy exceeding \_\_\_\_\_ needs to be written to be enforceable, a requirement of the statute of frauds.
- a. 90 days
  - b. 120 days
  - c. six months
  - d. one year

7. A(n) \_\_\_\_\_ provision in a lease assures application of California law when a dispute arises between a tenant and landlord.
  - a. choice-of-law
  - b. hold harmless
  - c. subtenancy
  - d. attorney fee provision
8. A landlord under a month-to-month rental agreement can increase the rent or shift repair and maintenance obligations to the tenant by serving a(n):
  - a. unlawful detainer (UD) action.
  - b. 60-Day Notice to Pay Rent or Quit.
  - c. 30-Day Notice of Change in Rental Terms.
  - d. 30-Day Notice to Vacate.
9. A \_\_\_\_\_ provides a source of recovery for money losses incurred by the landlord due to a tenant default on monetary obligations agreed to in the rental or lease agreement.
  - a. tenant screening fee
  - b. security deposit
  - c. Real Estate Recovery Fund
  - d. savings account
10. If no repairs are made to a rented unit, the residential landlord needs to refund the security deposit, less reasonable deductions, within \_\_\_\_\_ days after a tenant vacates.
  - a. 7
  - b. 10
  - c. 21
  - d. 30

### Quiz 15 – Chapters 79-85

1. A tenant who commits a(n) \_\_\_\_\_ is served with a Three-Day Notice to Quit.
  - a. minor breach
  - b. incurable breach
  - c. monetary breach
  - d. statutory breach
2. A(n) \_\_\_\_\_ is a set time period following the due date during which rent may be paid without incurring a late charge.
  - a. grace period
  - b. prepayment period
  - c. pre-termination inspection period
  - d. delinquent period
3. The Three-Day Notice to Perform or Quit requires the tenant to vacate the premises or:
  - a. perform under the breached lease provision.
  - b. correct the incurable breach.
  - c. forfeit possession of the property and all furnishings.
  - d. subordinate their interest in the property.
4. Waste occurs when a tenant:
  - a. vacates and quits the premises.
  - b. neglects the premises and impairs its value by failing to maintain it as agreed.
  - c. subleases the premises to a subtenant without the landlord's consent.
  - d. allows greater than five guests to stay in the premises overnight.
5. When a tenant has resided in a residential property for one year or more, the landlord terminates the tenancy by giving the tenant a:
  - a. 30-day Notice to Vacate.
  - b. 60-day Notice to Vacate.
  - c. 90-day Notice to Vacate.
  - d. 120-day Notice to Vacate.
6. An owner-by-foreclosure who purchases a residential property at a trustee's sale for investment purposes may only terminate an existing residential tenancy by serving the tenant with a:
  - a. 30-day Notice to Vacate.
  - b. 60-day Notice to Vacate.
  - c. 90-day Notice to Vacate.
  - d. 120-day Notice to Vacate.

7. A landlord breaches the \_\_\_\_\_ when they fail to comply with building and housing code standards that materially affect health and safety.
  - a. implied warranty of habitability
  - b. unspoken gentlemen's agreement
  - c. implied agency duty of care
  - d. statute of frauds
8. Construction of residential and commercial buildings is primarily regulated by the state of California through:
  - a. conditions, covenants and restrictions (CC&Rs).
  - b. building codes.
  - c. the Department of Real Estate (DRE).
  - d. the Department of Motor Vehicles (DMV).
9. The placement of a building upon the lot is referred to as its:
  - a. preference.
  - b. zoning classification.
  - c. orientation.
  - d. location.
10. The \_\_\_\_\_ establishes the conditions for approval of a subdivision map, and provides the planning commission the authority to regulate the design and physical improvements to be installed in a common interest development (CID).
  - a. Subdivided Lands Act
  - b. Subdivision Map Act
  - c. local surveyor
  - d. general contractor



## Answer References

The following are the answers to the quizzes for *Real Estate Principles, Second Edition* and the page numbers where they are located.

|  |  |  |  |  |
|--|--|--|--|--|
| <p><b>Quiz 1</b></p> <p>1. <b>C</b> 1</p> <p>2. <b>A</b> 2</p> <p>3. <b>D</b> 3</p> <p>4. <b>C</b> 9</p> <p>5. <b>A</b> 16</p> <p>6. <b>A</b> 17</p> <p>7. <b>C</b> 22</p> <p>8. <b>C</b> 24</p> <p>9. <b>D</b> 30</p> <p>10. <b>B</b> 31</p>                | <p><b>Quiz 2</b></p> <p>1. <b>C</b> 35</p> <p>2. <b>A</b> 42</p> <p>3. <b>A</b> 43</p> <p>4. <b>B</b> 45</p> <p>5. <b>C</b> 48</p> <p>6. <b>A</b> 51</p> <p>7. <b>D</b> 54</p> <p>8. <b>A</b> 54</p> <p>9. <b>A</b> 56</p> <p>10. <b>D</b> 56</p>            | <p><b>Quiz 3</b></p> <p>1. <b>B</b> 66</p> <p>2. <b>B</b> 67</p> <p>3. <b>D</b> 67</p> <p>4. <b>A</b> 70</p> <p>5. <b>C</b> 73</p> <p>6. <b>A</b> 75</p> <p>7. <b>D</b> 76</p> <p>8. <b>B</b> 77</p> <p>9. <b>B</b> 81</p> <p>10. <b>D</b> 82</p>            | <p><b>Quiz 4</b></p> <p>1. <b>A</b> 86</p> <p>2. <b>C</b> 89</p> <p>3. <b>B</b> 93</p> <p>4. <b>A</b> 99</p> <p>5. <b>B</b> 106</p> <p>6. <b>D</b> 107</p> <p>7. <b>A</b> 113</p> <p>8. <b>B</b> 114</p> <p>9. <b>C</b> 120</p> <p>10. <b>B</b> 122</p>      | <p><b>Quiz 5</b></p> <p>1. <b>A</b> 126</p> <p>2. <b>B</b> 127</p> <p>3. <b>C</b> 129</p> <p>4. <b>C</b> 132</p> <p>5. <b>B</b> 135</p> <p>6. <b>B</b> 137</p> <p>7. <b>B</b> 142</p> <p>8. <b>D</b> 147</p> <p>9. <b>A</b> 151</p> <p>10. <b>C</b> 155</p>  |
| <p><b>Quiz 6</b></p> <p>1. <b>B</b> 157</p> <p>2. <b>C</b> 164</p> <p>3. <b>A</b> 177</p> <p>4. <b>C</b> 185</p> <p>5. <b>A</b> 193</p> <p>6. <b>B</b> 194</p> <p>7. <b>C</b> 199</p> <p>8. <b>A</b> 200</p> <p>9. <b>B</b> 211</p> <p>10. <b>D</b> 213</p>  | <p><b>Quiz 7</b></p> <p>1. <b>C</b> 221</p> <p>2. <b>A</b> 226</p> <p>3. <b>D</b> 227</p> <p>4. <b>A</b> 230</p> <p>5. <b>B</b> 232</p> <p>6. <b>C</b> 238</p> <p>7. <b>A</b> 245</p> <p>8. <b>C</b> 250</p> <p>9. <b>D</b> 253</p> <p>10. <b>D</b> 258</p>  | <p><b>Quiz 8</b></p> <p>1. <b>D</b> 262</p> <p>2. <b>B</b> 265</p> <p>3. <b>C</b> 270</p> <p>4. <b>A</b> 276</p> <p>5. <b>A</b> 276</p> <p>6. <b>D</b> 277</p> <p>7. <b>A</b> 281</p> <p>8. <b>C</b> 284</p> <p>9. <b>A</b> 287</p> <p>10. <b>C</b> 290</p>  | <p><b>Quiz 9</b></p> <p>1. <b>A</b> 292</p> <p>2. <b>C</b> 293</p> <p>3. <b>A</b> 294</p> <p>4. <b>A</b> 298</p> <p>5. <b>C</b> 302</p> <p>6. <b>D</b> 303</p> <p>7. <b>B</b> 306</p> <p>8. <b>C</b> 312</p> <p>9. <b>C</b> 317</p> <p>10. <b>A</b> 321</p>  | <p><b>Quiz 10</b></p> <p>1. <b>A</b> 324</p> <p>2. <b>B</b> 325</p> <p>3. <b>A</b> 333</p> <p>4. <b>C</b> 335</p> <p>5. <b>C</b> 338</p> <p>6. <b>A</b> 345</p> <p>7. <b>B</b> 353</p> <p>8. <b>D</b> 359</p> <p>9. <b>B</b> 361</p> <p>10. <b>C</b> 362</p> |
| <p><b>Quiz 11</b></p> <p>1. <b>B</b> 370</p> <p>2. <b>D</b> 376</p> <p>3. <b>C</b> 384</p> <p>4. <b>A</b> 385</p> <p>5. <b>A</b> 389</p> <p>6. <b>B</b> 392</p> <p>7. <b>C</b> 397</p> <p>8. <b>A</b> 402</p> <p>9. <b>B</b> 404</p> <p>10. <b>B</b> 405</p> | <p><b>Quiz 12</b></p> <p>1. <b>C</b> 409</p> <p>2. <b>C</b> 412</p> <p>3. <b>C</b> 415</p> <p>4. <b>B</b> 419</p> <p>5. <b>D</b> 420</p> <p>6. <b>B</b> 424</p> <p>7. <b>C</b> 427</p> <p>8. <b>B</b> 432</p> <p>9. <b>B</b> 435</p> <p>10. <b>D</b> 436</p> | <p><b>Quiz 13</b></p> <p>1. <b>D</b> 441</p> <p>2. <b>A</b> 444</p> <p>3. <b>D</b> 451</p> <p>4. <b>B</b> 454</p> <p>5. <b>A</b> 455</p> <p>6. <b>C</b> 456</p> <p>7. <b>A</b> 460</p> <p>8. <b>A</b> 463</p> <p>9. <b>B</b> 472</p> <p>10. <b>D</b> 475</p> | <p><b>Quiz 14</b></p> <p>1. <b>C</b> 481</p> <p>2. <b>C</b> 481</p> <p>3. <b>A</b> 489</p> <p>4. <b>B</b> 493</p> <p>5. <b>D</b> 496</p> <p>6. <b>D</b> 502</p> <p>7. <b>A</b> 508</p> <p>8. <b>C</b> 511</p> <p>9. <b>B</b> 515</p> <p>10. <b>C</b> 519</p> | <p><b>Quiz 15</b></p> <p>1. <b>B</b> 526</p> <p>2. <b>A</b> 529</p> <p>3. <b>A</b> 532</p> <p>4. <b>B</b> 537</p> <p>5. <b>B</b> 539</p> <p>6. <b>C</b> 543</p> <p>7. <b>A</b> 545</p> <p>8. <b>B</b> 555</p> <p>9. <b>C</b> 558</p> <p>10. <b>B</b> 564</p> |