

Finance

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Question: 1

In which of the following cases would the Fair Housing Act NOT protect a potential renter or home buyer?

- A. A private homeowner selling her own home uses a sign that excludes people of certain ethnic groups.
- B. Residential rental units owned by a private organization are operated commercially.
- C. The owner of an owner-occupied duplex refuses to rent the second unit to foreigners.
- D. A landlord does not allow a family of seven to rent a small three-bedroom apartment.

Answer: C

Explanation:

The rental of owner-occupied housing is exempt from the Fair Housing Act if the building in which the room or unit is situated has no more than four total residences.

A homeowner may also sell or rent a home to whomever he or she chooses, and the sale or rental will be exempt from the Fair Housing Act—so long as a real estate professional isn't involved. The homeowner cannot own more than three homes and may only sell a maximum of one home in any two-year span; however, the homeowner is still prohibited from using discriminatory advertising. Private organizations may restrict housing to members of the organization. If any such housing is operated commercially, however, the Fair Housing Act is in full effect.

Question: 2

A professional association's written statement that guides the proper conduct of its members is known as its

- A. guiding principles
- B. statement of purpose
- C. code of ethics
- D. policies and procedures

Answer: C

Explanation:

An organization's code of ethics is a written system of general instructions intended to advise and guide the organization's members in their professional conduct. While an individual's adherence to the law ensures the legality of that person's actions, codes of ethics are designed to promote moral behaviors as well.

Question: 3

Which of the following phrases would NOT be allowed in an advertisement for a home due to conflicts with the requirements of the Fair Housing Act?

- A. "Across the street from St. John's Episcopal church"
- B. "Only a half-mile from shopping and dining"
- C. "Situated in one of the state's top-20 school districts"
- D. "A 55-and-up community"

Answer: A

Explanation:

The use of landmarks that can imply discriminatory preference, such as religion, are prohibited under Part 109 of HUD's Fair Housing Advertising. Other prohibited words, phrases, symbols, and forms are outlined in 5109.20.

Generally, statements of fact such as the distance to amenities or state recognition of public services, are allowed, though specific allowances and prohibitions may vary from state to state. Landmarks like churches, private schools, references to developments known to exclude certain racial groups, and associations with racial or national origin significant areas, however, can imply discriminatory preference and are not permitted.

Explicit exceptions are made for residences that comply with housing for older persons and Part 100 of HUD's Fair Housing Advertising.

Question: 4

Real estate—and the real property associated with it—is always transferred by deed, while personal property is transferred by a/an

- A. emblem
- B. title
- C. bill of sale
- D. conveyance

Answer: C

Explanation:

A bill of sale, or receipt, is used to transfer ownership of personal property from an owner to a buyer. During a real estate transaction, it may sometimes be beneficial to separate personal property that will be transferred with the sale from real property. Furthermore, it is important for home buyers to be made aware of items that appear to be permanently installed (and normally qualify as real property or fixtures) but may be treated as personal property and removed prior to the completion of the transaction. These items can include appliances and tall furniture, like bookshelves, which are often bolted to the wall.

Question: 5

An agreement that alters the details of an existing valid contract is known as a(n)

- A. amendment
- B. alteration
- C. revision
- D. addendum

Answer: A

Explanation:

Amendments are used to make changes to the details of an existing contract. An extension to the closing date is a common amendment, as unexpected complications can often arise in the days before closing. In this case, the closing date might be changed from July 6 to July 13 in order to avoid a breach of contract due to some issue outside the control of either the buyer or the seller. Similar to an amendment is an addendum, which is used to add new provisions to an existing contract rather than simply amend provisions which already exist but need to be altered.

Question: 6

Which of the following is most likely to result in the appreciation of a home's value?

- A. The sale of the property in which the owners equity is greater than 50% of the sale price
- B. A loan originator reviewing an appraisal report and assigning a different value to the home
- C. A new business moving into the area that will employ 300 people
- D. The owner of the property fully paying off the bank loan that was used to purchase the property

Answer: C

Explanation:

Appreciation is the increase of a property's value over time. A new business moving into the area will provide jobs and generate an increased demand for housing, which will lead to an increase in home prices. Property in close proximity to employment, shopping, entertainment, good schools, or other desirable features is more likely to increase in value over time than a property where such features are far away.

Question: 7

What type of agency relationship allows a real estate professional to represent a client during a single property transaction?

- A. Single agency
- B. General agency
- C. Special agency
- D. Express agency

Answer: C

Explanation:

A special agent represents a client for a specific act or during the course of one specific transaction. Special agency is the most common relationship between an agent and a principal, whether the agent represents a seller or a buyer. This agency may be either expressed with a written representation agreement signed by both parties or implied if the actions of both parties appear to show mutual consent to an agency relationship.

Question: 8

If a real estate agent representing a seller fails to inform the seller of all offers made for the property, the agent has failed in which fiduciary responsibility?

- A. Disclosure
- B. Care
- C. Accounting
- D. Confidentiality

Answer: A

Explanation:

The duty of disclosure requires an agent to keep the principal informed of all relevant information regarding the transaction. Even if the agent believes a given offer is too low, or somehow not in the clients best interests, it is the agent's responsibility to disclose the information, take care in helping the seller evaluate offers, and remain obedient to the seller's lawful decisions.

Question: 9

When a prospective home buyer signs a representation agreement with a broker, what type of relationship is established?

- A. Implied agency
- B. Express agency
- C. Designated agency
- D. Administrative agency

Answer: B

Explanation:

An express agency is created when the parties involved express their intent to enter into a contractual relationship. An express agency can be established by either an oral agreement or a written contract, though in some situations a written contract may be required by law. Of the remaining three choices, only implied agency (the unintentional creation of agency) and

designated agency (the delegation of agency duties to separate sales associates under a single broker) are defined, recognized forms of agency in real estate transactions. An administrative agency is a governmental body.

Question: 10

A home that is significantly larger, newer, and more extravagant than others in the neighborhood will typically not achieve its maximum value, because the builder did not observe which principle of value?

- A. Conformity
- B. Change
- C. Anticipation
- D. Contribution

Answer: A

Explanation:

A property that follows the principle of conformity is one that is relatively similar to its surroundings. A 3,000 square-foot, two-story home with a garage is out of place in a neighborhood where other houses are typically 1,200 square-foot, single-story homes with carports. For this reason, the extravagant home in question will have a lower value than it would in a neighborhood where it more closely conforms to surrounding home designs, sizes, and construction styles.

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