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# Final Exam: Principles of Real Estate in Texas II v18.0

QUESTION# 1

[QID: re\_question\_00147\_3151.dita]

"To have and to hold for the life of the grantee" is

- **a habendum clause.**
- a deed restriction.
- a granting clause
- a reservations clause.

The answer is a habendum clause. This clause defines the quality and quantity of the ownership interest being given, in this case a life estate. If a discrepancy exists between the granting and habendum clauses, the provisions in the granting clause usually are followed.

QUESTION# 2

[QID: re\_question\_00147\_3152.dita]

The stage of land development during which utilities are installed, parks are constructed, marketing programs are initiated, and title to individual parcels is transferred as lots are sold for construction is called

- **the disposition stage.**
- the initial planning stage.
- the final planning stage.
- the interim planning stage

The answer is the disposition stage. The disposition stage is the stage of land development where utilities are installed, parks are constructed, marketing programs are initiated, and titles are transferred as lots are sold for construction.

QUESTION# 3

[QID: re\_question\_00147\_3153.dita]

For what purpose does a REIT use funds from investors?

- **To purchase both real estate and mortgages**
- To purchase only real estate
- To purchase only mortgages
- None of these

The answer is to purchase both real estate and mortgages. Real estate investment trusts (REITs) allow real estate investors to take advantage of the same tax benefits as mutual fund investors. A REIT does not have to pay corporate income taxes as long as 90% of its income is distributed to its shareholders and certain other conditions are met.

QUESTION# 4

[QID: re\_question\_00147\_3154.dita]

The effective term of a deed restriction may be extended with the consent of

- **a majority of the owners in a subdivision.**
- 20 adults of voting age.
- the municipality, if located inside the city limits, or the county, if outside the city limits.
- all the owners in a subdivision.

The answer is a majority of the owners in a subdivision. Sometimes, the deed restriction specifies that a specific amount (such as two-thirds) of the owners must agree to extend the restrictions. In Texas, a lot owner has the right to opt out of the renewal or extension.

QUESTION# 5

[QID: re\_question\_00147\_3155.dita]

Through a restrictive covenant in a deed, a developer may establish restrictions on the right to

- **use land.**
- own land.
- purchase land.
- sell land.

The answer is use land. A real estate owner can create a deed restriction on the use of land by including a provision for it in the deed when the property is conveyed. In general, a deed conveying a fee simple estate may not restrict the owner's rights to sell, mortgage, or convey it.

QUESTION# 6

[QID: re\_question\_00147\_3156.dita]

In order to allow uses of property deemed desirable for public convenience but only marginally acceptable in a specific zone, a Planning and Zoning Commission can grant a(n)

- **conditional-use permit.**
- amendment.
- variance.
- zoning appeal.

The answer is conditional-use permit. Sometimes, a use is only marginally acceptable but would be acceptable if certain additional development standards were met, such as increased landscaping, screening, or noise limitations.

QUESTION# 7

[QID: re\_question\_00147\_3157.dita]

Which of the following is *TRUE*?

- **A property manager's collection policy should be firm and consistent.**
- A property manager's collection policy should vary depending on the income of the tenant.
- A property manager's collection policy should be different for the different needs of each tenant.
- None are true.

The answer is a property manager's collection policy should be firm and consistent. The collection policy should be firm and consistent, and collection of delinquent rent should be handled in a businesslike manner. Tenants are usually informed in the lease agreement when and where the rent is to be paid, along with the penalties for not paying rent on time.

QUESTION# 8

[QID: re\_question\_00147\_3158.dita]

The hiring and supervising of employees who perform maintenance and other services generally is the responsibility of

- **the property manager.**
- the owner.
- the third-party vendor.
- none of these.

The answer is the property manager. Some properties contract with outside vendors instead of (or in addition to) having their own employees.

QUESTION# 9

[QID: re\_question\_00147\_3159.dita]

The budget should take into consideration the owner's long-range plans for the property and must contain an estimate of

- **income and expenses.**
- the capitalization rate reflecting the property's risk.
- the property's market position.
- the owner's total assets.

The answer is income and expenses. The budget can be used to gauge how successfully the management plan is working.

QUESTION# 10

[QID: re\_question\_00147\_3160.dita]

A ground lease is usually

- **a long-term lease.**
- an adjustable-term lease.
- a short-term lease.
- a variable-term lease.

The answer is a long-term lease. Such leases are usually for a period of 50 or more years. A ground lease is a lease of land only, in which the tenant usually owns a building or is required to build one.

QUESTION# 11

[QID: re\_question\_00147\_3161.dita]

Which of the following is *TRUE*?

- **In an actual eviction, the landlord files a suit for possession to have the tenant removed from the premises.**
- In an actual eviction, the landlord must record the lease in the county records to have the tenant removed from the premises.
- In actual eviction, the landlord files a suit for possession and records the lease in the county records to have the tenant removed from the premises.
- In actual eviction, the landlord is only required to give 10 days' notice to have the tenant removed from the premises.

The answer is in an actual eviction, the landlord files a suit for possession to have the tenant removed from the premises. The landlord must give notice to the tenant before filing the suit for possession. If the court issues a judgment for possession in the landlord's favor and the tenant fails to leave, the landlord can request from the court a writ of possession and have the judgment enforced by a deputy sheriff or constable, who will oversee the forcible removal of the tenant and his or her possessions.

QUESTION# 12

[QID: re\_question\_00147\_3162.dita]

If there are no smoke alarms in a leased residence, the tenant may do which of the following?

- **Request one from the landlord**
- Sue the landlord for violating the habitability statute
- Terminate the lease
- All of these

The answer is request one from the landlord. Smoke alarms must be in good working order at the time the tenant takes possession and are presumed to be in good working order until the tenant requests repair. Replacement of batteries is a tenant's responsibility. If a rental property does not have smoke alarms, it is the tenant's responsibility to request compliance from the landlord. If requested by a tenant with a hearing-impairment disability, the smoke alarm provided by the landlord also must be capable of alerting a hearing-impaired person in the bedrooms it serves.

QUESTION# 13

[QID: re\_question\_00147\_3163.dita]

Which is for a definite, fixed period of time?

- **Estate for years**
- Tenancy at will
- Tenancy at sufferance
- Periodic estate

The answer is estate for years. In an estate for years, the lease may be for any fixed period (for example, a month, six months, or a year). It has a specific starting and ending time and does not automatically renew at the end of the lease. No notice is required to terminate the lease at the end of the term, because a specific expiration date already is provided.

QUESTION# 14

[QID: re\_question\_00147\_3164.dita]

Something that is owed is

- **a debit.**
- a credit.
- an asset.
- a resource.

The answer is a debit. If a buyer is debited \$50 for a credit report, this is an amount that the buyer owes and it increases the buyer's obligation at closing.

QUESTION# 15

[QID: re\_question\_00147\_3165.dita]

The fees to the county clerk to record the deed are paid by

- **the buyer.**
- the agent.
- the lender.
- the seller.

The answer is the buyer. The buyer usually pays the recording fees for the deed to transfer the title and for the deed of trust if a loan was obtained. The seller pays recording fees to clear defects and obtain releases to provide clear title.

QUESTION# 16

[QID: re\_question\_00147\_3166.dita]

The borrower must be provided the Closing Disclosure, at *LEAST* how many business day(s) before closing?

- One
- Two
- **Three**
- Five

The answer is three. The Closing Disclosure itemizes all charges imposed on borrowers and sellers in connection with the closing. It must be provided to the buyer at least three days before closing. No fee can be charged for preparation of the Closing Disclosure or related statements required by RESPA or the Truth in Lending Act.

QUESTION# 17

[QID: re\_question\_00147\_3167.dita]

If a sale closing in escrow cannot be consummated because the seller's title cannot be cleared, the escrow agent

- **reinstates parties back to their former status as if no sale had occurred.**
- postpones the closing until title is cleared.
- credits the buyer for the amount necessary to clear the title.
- the escrow agent does none of these.

The answer is reinstates parties back to their former status as if no sale had occurred. The escrow agent returns all documents to the seller and all earnest money and/or purchase money to the buyer.

QUESTION# 18

[QID: re\_question\_00147\_3168.dita]

The seller owes \$2,400 in taxes for the current year. With a May 28 closing date and using a calendar year, the daily proration amount is

- **\$6.575.**
- \$6.666.
- \$7.042.
- \$9.125.

The answer is \$6.575. To determine the daily proration amount using a calendar year, divide \$2,400 by 365 days.  $\$2,400 \div 365 = \$6.575$ .

QUESTION# 19

[QID: re\_question\_00147\_3169.dita]

A house appraised for tax purposes at \$90,000 is taxed at an annual rate of \$2.50 per each \$100 of appraised value. The yearly tax is

- **\$2,250.**
- \$225.
- \$250.
- \$2,500.

The answer is \$2,250. The formula for computing the tax is this: appraised value (total)  $\times$  (rate  $\div$  100) = tax (part):  $\$90,000 \times (\$2.50 \div \$100) = \$2,250$ .

## QUESTION# 20

[QID: re\_question\_00147\_3170.dita]

The interest for 11 months on a \$15,000 loan at an interest rate of 8% is

- **\$1,100.**
- \$1,200.
- \$1,775.
- \$1,875.

The answer is \$1,100. On loans for less than one full year, a monthly interest amount must be determined, then multiplied by the number of months:  $\$15,000 \times 0.08 = \$1,200$  in interest;  $\$1,200 \div 12$  months = \$100 per month;  $\$100 \times 11$  months = \$1,100. Or, use this formula: principal (total)  $\times$  rate  $\times$  time (in months) = interest (part):  $\$15,000 \times 0.08 \times 11/12 = \$1,100$ .

## QUESTION# 21

[QID: re\_question\_00147\_3171.dita]

If a property is sold for \$90,000, what commission would be paid to the brokers if the commission rate is 6%?

- **\$5,400**
- \$540
- \$574.47
- \$5,745

The answer is \$5,400.  $\$90,000 \times 0.06 = \$5,400$ . The formula for calculating a commission is this: sales price (T)  $\times$  commission rate (%) = commission (part).

## QUESTION# 22

[QID: re\_question\_00147\_3172.dita]

8% of 23,000 =

- **1,840.**
- 18.4.
- 184.
- 18,400.

The answer is 1,840. To determine a specific part of a whole, multiply the rate by the total: 8% of 23,000 = 1,840 ( $0.08 \times 23,000 = 1,840$ ). This formula is used in calculating mortgage loan interest, brokers' commissions, loan origination fees, discount points, and income on investment property.

## QUESTION# 23

[QID: re\_question\_00147\_3173.dita]

Which is generally recognized as title evidence and can be used to establish ownership of property?

- **Title insurance**
- Chain of title
- A general warranty deed
- A security agreement

The answer is title insurance. The evidences of title in Texas are an abstract of title with attorney's opinion of title or a title insurance policy.

QUESTION# 24

[QID: re\_question\_00147\_3174.dita]

The premium for title insurance is paid

- **once, upon issuance of the title policy.**
- monthly with the mortgage payment.
- annually until the property is sold.
- quarterly until the property is sold.

The answer is once, upon issuance of the title policy. It is a one-time premium.

QUESTION# 25

[QID: re\_question\_00147\_3175.dita]

A brief history of all the documents affecting title is

- **an abstract of title.**
- a chain of title.
- a title investigation.
- a title search and trace.

The answer is an abstract of title. An abstract of title is a condensed history of all the instruments found in the title search that affect a particular parcel of land. Documents affecting title include deeds, easements, tax liens, mortgage liens and releases, judgments, and wills.

QUESTION# 26

[QID: re\_question\_00147\_3176.dita]

In a will, a bequest is a gift of

- **personal property.**
- real property.
- real estate.
- none of these.

The answer is personal property. Disposition of personal property under a will also is called a legacy. Disposition of real property is called a devise.



QUESTION# 27

[QID: re\_question\_00147\_3177.dita]

The 10-year statute for adverse possession is normally limited to the acquisition of how many acres?

- **160**
- 100
- 320
- 640

The answer is 160. The 10-year adverse possession statute requires adverse possession for a 10-year period by one who uses, cultivates, or enjoys the property. Neither a deed nor a chain of title is required. The adverse claimant is limited to the acquisition of 160 acres, unless there is some type of written memorandum of title that increases the number of acres.

QUESTION# 28

[QID: re\_question\_00147\_3178.dita]

A deed must be signed by

- **the grantor.**
- the grantee.
- the agent.
- the attorney.

The answer is the grantor. It must be signed by all grantors named in the deed. The party giving title is the grantor; the party receiving, the grantee—the or gives to the ee.

QUESTION# 29

[QID: re\_question\_00147\_3179.dita]

What kind of deed is usually given by someone acting on behalf of the owner, such as an executor, an administrator, or a custodian?

- **Special warranty**
- General warranty
- Quitclaim
- Bargain and sale

The answer is special warranty. In a special warranty deed, the grantor warrants only that the property was not encumbered during the time she held title, except as noted in the deed and that she has done nothing during ownership to cloud or damage the title.

QUESTION# 30

[QID: re\_question\_00147\_3180.dita]

Reverse mortgages enable homeowners who are of what age or older to borrow against the equity in their homes?

- **62**
- 55
- 57
- 60

The answer is 62. No payment will be due until the property is sold, the borrowers move from the home for longer than 12 months without lender approval, all borrowers have died, or the borrower defaults on any of the terms of the deed of trust. The obligation to repay is limited to the market value of the home without recourse for personal liability against the owner.

QUESTION# 31

[QID: re\_question\_00147\_3181.dita]

To comply with truth-in-lending requirements, the interest rate that should be used in an advertisement should be

- **the annual percentage rate.**
- the nominal interest rate.
- the annual interest rate.
- the monthly interest rate.

The answer is the annual percentage rate. Interest must be given as an APR. The finance charges that must be included in the APR are those that are incurred solely because there is a loan involved—such as loan origination fees, finders' fees, servicing fees, mortgage insurance or guaranty fees, and points, as well as the nominal interest rate.

QUESTION# 32

[QID: re\_question\_00147\_3182.dita]

If a contractor needs to get permanent financing to repay a construction loan, he gets

- **a takeout loan.**
- a purchase money mortgage.
- a buydown mortgage.
- an equity loan.

The answer is a takeout loan. Construction loans are generally short term, or interim, financing. If a property has not sold by the time construction has been completed, the builder may be expected to get a takeout loan to repay ("take out") the construction financing lender when the work is completed.

QUESTION# 33

[QID: re\_question\_00147\_3183.dita]

What kind of document, issued by the VA, sets the maximum VA loan amount for a property?

- **Notice of value**
- Certificate of appraised value

- Certificate of reasonable value
- Notice of loan amount

The answer is notice of value. First, the property is appraised by a VA-approved appraiser. The VA reviews this appraisal and then issues a notice of value (NOV), which sets the maximum VA loan amount for the property.

QUESTION# 34

[QID: re\_question\_00147\_3184.dita]

Three discount points charged by a lender for an FHA loan of \$100,000 equal

- **\$3,000.**
- \$300.
- \$100.
- \$1,000.

The answer is \$3,000. One discount point equals 1% of the loan amount and is charged as prepaid interest at the closing ( $\$100,000 \times 3\% = \$3,000$ ). If the rate of interest that a lender charges for a mortgage loan is less than the yield (true rate of return) required by an investor who would purchase that loan, the lender charges discount points at closing to make up the difference.

QUESTION# 35

[QID: re\_question\_00147\_3185.dita]

In an adjustable-rate mortgage,

- **interest rate changes are tied to an economic index.**
- interest rate changes are tied to state guidelines.
- interest rates are set by state law.
- none of these apply.

The answer is interest rate changes are tied to an economic index. Most indexes are tied to the constant-maturity Treasury rate or the LIBOR. A margin is added to the index to get an interest rate.

QUESTION# 36

[QID: re\_question\_00147\_3186.dita]

The Texas First-Time Homebuyer Program provides interest rates that are

- **lower than current market rates.**
- higher than current market rates.
- equal to current market rates.
- variable depending on economic factors.

The answer is lower than current market rates. This program makes mortgage loans available to very-low-income-to-moderate-income families who are purchasing their first home or who have not owned a home in the past three years. Down payment and closing cost assistance also are available through this program.

QUESTION# 37

[QID: re\_question\_00147\_3187.dita]

In what kind of redemption must the lender usually be paid the amount in default plus any costs if the borrower wants the loan to be reinstated before a foreclosure sale?

- **Equitable**
- Statutory
- Both of these
- None of these

The answer is equitable. Equitable redemption is the owner's right to redeem property before a foreclosure sale. The lender may legally require payment of the entire debt. There is no statutory right of redemption after a deed-of-trust foreclosure.

QUESTION# 38

[QID: re\_question\_00147\_3188.dita]

A power-of-sale clause is included in the deed of trust giving which party, in the event of default on the deed of trust, the right to sell the property at auction without going through court proceedings?

- **Trustee**
- Borrower
- Mortgagor
- Mortgagee

The answer is trustee. The trustee will foreclose on the property for the benefit of the lender if the borrower (mortgagor) defaults on the note.

QUESTION# 39

[QID: re\_question\_00147\_3189.dita]

The current market value of a property is \$35,000. For tax purposes, it is assessed at 100% of market value. The tax rate is \$4 per \$100 of assessed value. What is the amount of the tax due?

- **\$1,400**
- \$350
- \$625
- \$740

The answer is \$1,400. Assessed value  $\times$  (tax rate  $\div$  \$100) = annual tax  $\$35,000 \times (\$4 \div \$100) = \$1,400$ .

QUESTION# 40

[QID: re\_question\_00147\_3190.dita]

Interest calculations on a fully amortized loan are computed on which amount?

- **Remaining principal balance**
- Original loan amount
- Sales price
- Remaining principal and interest balance

The answer is remaining principal balance. A charge for the use of money is called interest. The amount of interest due on any one installment payment date is calculated by computing the total yearly interest, based on the unpaid principal balance, and dividing that figure by the number of payments made each year.

QUESTION# 41

[QID: re\_question\_00147\_3191.dita]

When a borrower, in order to secure a loan, pledges property as collateral without giving up possession, the borrower does which to the property?

- **Hypothecates it**
- Alienates it
- Deeds it
- Subordinates it

The answer is hypothecates it. The borrower (mortgagor) gives the lender (mortgagee) a pledge to pay the loan (mortgage) and uses property as collateral without giving possession of the property to the lender.

QUESTION# 42

[QID: re\_question\_00147\_3192.dita]

To find the subject property's value, you should perform which action to the net operating income?

- **Divide it by the capitalization rate**
- Add it to the capitalization rate
- Subtract it from the capitalization rate
- Multiply it by the capitalization rate

The answer is divide it by the capitalization rate. Net operating income  $\div$  rate = value. For example, if the NOI (effective gross income less operating expenses) is \$30,000, and the cap rate is 15%, the value of the subject property is \$200,000 ( $\$30,000 \div 15\% = \$200,000$ ).

QUESTION# 43

[QID: re\_question\_00147\_3193.dita]

When estimating the value of a school building, which the Center City school system wishes to sell, the appraiser should use

- **the cost approach.**
- the sales comparison approach.

- the income approach.
- none of these.

The answer is the cost approach. The cost approach is ideally suited to the appraisal of newly constructed homes and special-purpose buildings, such as churches, schools, and government-owned property.

QUESTION# 44

[QID: re\_question\_00147\_3194.dita]

A condo building located in an area with major traffic congestion is an example of what type of depreciation?

- **External obsolescence**
- Functional obsolescence
- Physical deterioration
- Urban growth

The answer is external obsolescence. Traffic is a defect that is exterior to the building and out of the control of the owner.

QUESTION# 45

[QID: re\_question\_00147\_3195.dita]

The comparable house has three bedrooms, but the subject property has two. To adjust the price, what should be done with the estimated value of the extra bedroom?

- **It should be subtracted from the comparable property.**
- It should be added to the subject property.
- It should be subtracted from the subject property.
- It should be added to the comparable property.

The answer is it should be subtracted from the comparable property. When the comparable property has extra features, subtract the value of those features from the sales price. Remember, the comparable property is a recently sold house similar to the subject property. The subject property is the property being appraised. The adjustments are made to the comparable properties.

QUESTION# 46

[QID: re\_question\_00147\_3196.dita]

Which is the *BEST* way to ensure that there are no encroachments and verify the boundaries of a parcel of land?

- **Get an improvement survey**
- Find the monuments
- Verify the benchmarks
- Check the title records at the courthouse

The answer is get an improvement survey. A survey sets forth the legal description of the property and includes a survey sketch, which shows the location and dimensions of the parcel. An improvement survey would additionally show location, size, and shape of buildings located on the lot, thus indicating encroachments.

QUESTION# 47

[QID: re\_question\_00147\_3197.dita]

Before the foreclosure sale, a defaulting borrower seeks to pay off the debt plus any accrued interest and costs under the right of

- **equitable redemption.**
- statutory redemption.
- hypothecation.
- defeasance.

The answer is equitable redemption.

QUESTION# 48

[QID: re\_question\_00147\_3198.dita]

The clause in a note that gives the lender the right to have all future installments become due on default is

- the escalation clause.
- the defeasance clause.
- the alienation clause.
- **the acceleration clause.**

The answer is the acceleration clause.

QUESTION# 49

[QID: re\_question\_00147\_3199.dita]

What document is given to the trustor when the deed-of-trust debt is completely repaid?

- Satisfaction of mortgage
- Defeasance certificate
- Deed of trust
- **Release deed**

The answer is release deed.

QUESTION# 50

[QID: re\_question\_00147\_3200.dita]

The primary security for the creditor under a contract for deed is

- **the seller's retention of legal title.**
- the deed of trust.
- the vendor's lien.
- the vendee's lien.

The answer is the seller's retention of legal title. The seller (vendor) has a vendor's lien if the seller did not receive cash for the full purchase price from the buyer (vendee). The vendor's lien is a claim on the real estate but is used only as security for the purchase money debt. Under a contract for deed, the buyer obtains possession and equitable title, but the seller retains legal title until the terms of the contract have been satisfied.

QUESTION# 51

[QID: re\_question\_00147\_3201.dita]

Which allows a mortgagee to proceed to a foreclosure sale without having to go to court first?

- Waiver of redemption right
- **Power of sale**
- Alienation clause
- Acceleration clause

The answer is power of sale.

QUESTION# 52

[QID: re\_question\_00147\_3202.dita]

Under community property laws,

- **the property that a person accumulated before marriage is called separate property.**
- income from separate property is usually separate property.
- the property that a person received as a gift during marriage is known as community property.
- all property owned by a married person is called community property.

The answer is the property that a person accumulated before marriage is called separate property. Community property laws recognize two kinds of property: separate and community. Separate property is property owned solely by either spouse before the marriage or acquired by gift or inheritance after marriage. Separate property also includes property purchased with separate funds after the marriage, proceeds from the sale of separate property, settlement or judgment proceeds for personal injury, or property separated during marriage by a written contract signed by both spouses (contractual separate property). Unless the spouses agree otherwise, income from separate property is community property.

QUESTION# 53

[QID: re\_question\_00147\_3203.dita]

Pledging property for a loan without giving up possession is *BEST* described as

- **hypothecation.**
- alienation.



- novation.
- defeasance.

The answer is hypothecation.

QUESTION# 54

[QID: re\_question\_00147\_3204.dita]

If land is taken by the government under its right of eminent domain, which of the following would apply?

- **There must be a public use.**
- There must be a statutory dedication.
- There must be an adverse action.
- There must be constructive notice.

The answer is there must be a public use. The power of a government or public entity to take private property for a public use is eminent domain.

QUESTION# 55

[QID: re\_question\_00147\_3205.dita]

A deed conveys ownership to the grantee so long as the existing building is not torn down. What type of estate did this deed create for the grantee?

- **A determinable fee estate**
- A life estate
- A fee simple estate
- A remainder estate

The answer is a determinable fee estate. The words *so long as*, *until*, *while*, or *during* are the key to the creation of a determinable fee estate. Such an estate will be determined (come to an end) immediately on the occurrence of a designated event (in this case, the destruction of the existing building).

QUESTION# 56

[QID: re\_question\_00147\_3206.dita]

The provisions of a nonjudicial foreclosure include all of the following *EXCEPT*

- written notice must be posted at the courthouse at least 21 days before the sale.
- **homestead property owners must be given 45 days to cure the default before notice of sale is given.**
- notice of the proposed sale must be sent to each debtor at least 21 days before the sale.
- notice of the sale must state where the sale will take place.

The answer is homestead property owners must be given 45 days to cure the default before notice of sale is given.

QUESTION# 57

[QID: re\_question\_00147\_3207.dita]

What kind of notice refers to information that has been made public?

- **Constructive**
- Actual
- Functional
- Specific

The answer is constructive. Constructive notice is the legal presumption that information is available and, by diligent inquiry, an individual can obtain it. Actual notice means that not only is the information available but also that someone has been given the information and actually knows it.

QUESTION# 58

[QID: re\_question\_00147\_3208.dita]

In a deed of trust, the lender is

- **the beneficiary.**
- the trustor.
- the trustee.
- the mortgagor.

The answer is the beneficiary. In a deed of trust, the trustor or mortgagor is the borrower. The trustee is a neutral third party, usually an employee of the lender that holds the conditional conveyance of the deed of trust until the loan is paid in full.

QUESTION# 59

[QID: re\_question\_00147\_3209.dita]

In a foreclosure through a power-of-sale clause, who actually conducts the foreclosure?

- Mortgagee
- Mortgagor
- **Trustee**
- Trustor

The answer is trustee.

QUESTION# 60

[QID: re\_question\_00147\_3210.dita]

The borrower under a deed of trust is known as

- **the trustor.**
- the trustee.

- the beneficiary.
- the vendee.

The answer is the trustor.

QUESTION# 61

[QID: re\_question\_00147\_3211.dita]

A homeowner wants to sell his house to someone who will assume his loan. If the lender wants to prevent the assumption, which clause in the deed of trust would the lender invoke?

- Escalation clause
- Defeasance clause
- Acceleration clause
- **Alienation clause**

The answer is alienation clause.

QUESTION# 62

[QID: re\_question\_00147\_3212.dita]

Which is included in the protected classes under the Fair Housing Act of 1968 as amended?

- **A renter whose landlord is sexually harassing her**
- Two single people who want to rent an apartment together
- A 20-year-old prospective homebuyer
- A rental applicant whose income is partially based on public assistance programs

The answer is a renter whose landlord is sexually harassing her. The Fair Housing Act of 1968 as amended makes it unlawful to discriminate on the basis of race, color, religion, national origin, sex, disability, or familial status when selling or leasing residential property. Sex as a protected class has been interpreted to include sexual harassment. Marital status, age, and dependence on public assistance are protected classes under the Equal Credit Opportunity Act for lending purposes; but they are not included in the Fair Housing Act.

QUESTION# 63

[QID: re\_question\_00147\_3213.dita]

Which describes an easement in gross?

- **A personal interest in or right to use the land of another**
- Forty or more easements associated with a single property recording
- An easement that is for the benefit of many, as opposed to being for the benefit of a single entity or person
- An easement that runs with the land and is used for the benefit of another person's parcel of land

The answer is a personal interest in or right to use the land of another. Examples of easements in gross are the easement rights a railroad has in its right-of-way, or the right-of-way for gas, electricity, and telephone lines.

QUESTION# 64

[QID: re\_question\_00147\_3214.dita]

Which is a main purpose of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA)?

- **To regulate the appraisal industry nationwide by requiring licensed or certified appraisers for most real estate transactions**
- To regulate savings and loan association reserve requirements
- To regulate commercial brokers who specialize in large commercial properties
- To regulate estate sale appraisers

The answer is to regulate the appraisal industry nationwide by requiring licensed or certified appraisers for most real estate transactions. The Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) was passed in 1989 to regulate the real estate appraisal industry in the aftermath of the collapse of many savings and loan associations, which was at least partly due to faulty appraisals. It requires that a licensed or certified appraiser perform any appraisal used in connection with a federally related transaction of \$250,000 and above. Federally related transactions are real estate transactions in which a federal financial institution, regulatory agency, or secondary market participant engages.

QUESTION# 65

[QID: re\_question\_00147\_3215.dita]

In order to have value in the real estate market, a property must have each of the following characteristics *EXCEPT*

- **conformity.**
- effective demand.
- utility.
- transferability.

The answer is conformity. To have value in the real estate market—that is, to have monetary worth based on desirability—a property must have the following four characteristics: (1) effective demand—the need or desire for possession or ownership backed up by the financial means to satisfy that need; (2) utility—the capacity to satisfy human needs and desires; (3) scarcity—a finite supply; and (4) transferability—the relative ease with which ownership rights are transferred from one person to another.

QUESTION# 66

[QID: re\_question\_00147\_3216.dita]

How is maximum value realized in the use of land?

- **If the land use conforms to existing neighborhood standards**
- If all taxes are current
- If more than one investor has contributed to the purchase
- If the land is zoned for commercial use

The answer is if the land use conforms to existing neighborhood standards. In single-family residential neighborhoods, for example, buildings should be similar in design, construction, size, and age. For

example, the biggest house on the block tends to lose value to its neighbors. The reverse is sometimes true for the smallest house on the block. Any decrease in value for large homes or increase in value for small homes would be on a per-square-foot basis.

QUESTION# 67

[QID: re\_question\_00147\_3217.dita]

How is the sales comparison approach to determining value (sometimes called the market data approach) obtained?

- **By comparing the subject property with recently sold similar properties**
- By comparing the subject property to properties that pay the same amount of property taxes
- By comparing the cost to build the subject property with the cost to build a new structure similar to the subject property
- By comparing the rental income of similar properties with the market rent of the subject property

The answer is by comparing the subject property with recently sold similar properties. In the sales comparison approach to determining value, sometimes called the market data approach, an indicated value is obtained by comparing the subject property (the property under appraisal) with recently sold comparable properties (properties similar to the subject).

QUESTION# 68

[QID: re\_question\_00147\_3218.dita]

In the sales comparison approach to value, the sales prices of comparable properties are adjusted by

- **making the features of the comparable properties match those of the subject property.**
- making the features of the subject property match those of the comparable properties.
- deducting depreciation from the estimated construction cost of a new building and any site improvements.
- reconciling the findings from the three approaches to value.

The answer is making the features of comparable properties match those of the subject property. The sales prices of comparable properties are adjusted by making the features of the comparable properties match those of the subject property. The value of a feature present in the comparable but not in the subject property is subtracted from the sales price of the comparable. The adjusted sales prices of the comparables represent the probable value range of the subject property. The sales comparison approach is essential in almost every appraisal of real estate. It is considered the most reliable of the three approaches in appraising residential property, where the amenities may be difficult to measure otherwise.

QUESTION# 69

[QID: re\_question\_00147\_3219.dita]

The concept of mortgage lending originated in

- **England.**
- Spain.

- Boston, Massachusetts.
- New York City, New York.

The answer is England. The concept of mortgage lending originated in England under Anglo-Saxon law. Originally, a borrower who needed to finance the purchase of land (the mortgagor) was forced to convey title to the property to the lender (the mortgagee) to ensure payment of the debt. If the obligation was not paid, the mortgagor automatically forfeited the land to the creditor, who was already the legal owner of the property. Through the years, English courts began to acknowledge that a mortgage was only a security device and the mortgagor was the true owner of the mortgaged real estate. Under this concept, real estate was merely given as security for the payment of a debt, which was represented by a note.

QUESTION# 70

[QID: re\_question\_00147\_3220.dita]

What are the two parts to a mortgage loan?

- **The debt itself and the security for the debt**
- The principal and the interest
- The mortgagor and the mortgagee
- The mortgage and the deed of trust

The answer is the debt itself and the security for the debt. When a property is to be mortgaged, the owner must execute, or sign, two separate instruments: (1) the promissory note is the promise, or agreement, to repay the debt (the principal) in definite installments with interest—the note creates the debt; and (2) the mortgage is the document that creates the lien, or conveys the property to the mortgagee as security for the debt.

QUESTION# 71

[QID: re\_question\_00147\_3221.dita]

The individual who holds the note is referred to as the payee. The payee may transfer the right to receive payment to a third party by

- **signing the instrument over to the third party or by delivering the instrument in person.**
- signing the instrument over to the third party or by submitting it to escrow.
- seeking declaratory relief from a court of competent jurisdiction and by filing the resulting judgment in the same county where the property is located.
- recording the deed with the county clerk and by paying a \$100 filing/recording fee.

The answer is signing the instrument over to the third party or by delivering the instrument in person. The individual may transfer the right to receive payment to a third party in one of two ways: (1) by signing the instrument over to the third party or, in some cases, (2) by merely delivering the instrument to that person.

QUESTION# 72

[QID: re\_question\_00147\_3222.dita]

What is usury?

- **Charging interest in excess of the maximum rate of interest on mortgage loans as set by state law**
- Charging interest that is far less than that maximum rate of interest on mortgage loans as set by state law in order to undercut other mortgage lenders
- The rate of interest established by a lender for the home loans made by that institution
- Using the name of a person with better credit as a cosigner on a deed-of-trust document

The answer is charging interest in excess of the maximum rate of interest on mortgage loans as set by state law. Under Texas state law, the maximum rate of interest allowable is determined by the buyer's use of the property. The parties to a written contract that is primarily for personal, family, household, or agricultural use may agree to any rate of interest that does not exceed 18% per year.

QUESTION# 73

[QID: re\_question\_00147\_3223.dita]

In Texas, lenders prefer to use a three-party security instrument known as a deed of trust, or trust deed, rather than a regular two-party mortgage document. Which of the following is *NOT* one of the three parties involved in the deed-of-trust mortgage transaction?

- **The escrow officer**
- The trustor
- The trustee
- The beneficiary

The answer is the escrow officer. In Texas, lenders prefer to use a three-party security instrument known as a deed of trust, or trust deed, rather than a regular two-party mortgage document. The three parties involved in the deed-of-trust mortgage transaction are the borrower (the mortgagor, trustor, or grantor), the lender (the mortgagee or beneficiary), and a neutral third party (the trustee).

QUESTION# 74

[QID: re\_question\_00147\_3224.dita]

What do mortgage banking companies do?

- **They use money borrowed from other institutions or funds of their own, or both, to make real estate loans.**
- They act as intermediaries to bring borrowers and lenders together.
- They serve as corporate representatives for the Federal Reserve System.
- They provide free consumer counseling to low-income homebuyers.

The answer is they use money borrowed from other institutions or funds of their own, both, to make real estate loans. Mortgage banking companies make loans in the name of the mortgage banker with the intention of selling them to investors either on a loan-by-loan basis or pooled together as a security. Many mortgage bankers will sell only the loans and retain the servicing. Mortgage brokers, however, act as intermediaries to bring borrowers and lenders together. They do not use their own money, and they do not service the loans once they are made.

QUESTION# 75

[QID: re\_question\_00147\_3225.dita]

Which is *NOT* true of mortgage brokers?

- **Mortgage brokers generally make loans in the name of the mortgage broker with the intention of selling them to investors.**
- Mortgage brokers are not lenders but are often instrumental in obtaining financing.
- Mortgage brokers are individuals who act as intermediaries to bring borrowers and lenders together.
- Mortgage brokers locate potential borrowers, process preliminary loan applications, and submit the applications to lenders for final approval.

The answer is mortgage brokers generally make loans in the name of the mortgage broker with the intention of selling them to investors. Mortgage brokers are not lenders but often are instrumental in obtaining financing. Mortgage brokers are individuals who act as intermediaries to bring borrowers and lenders together. They locate potential borrowers, process preliminary loan applications, and submit the applications to lenders for final approval. The loans generally are closed in the name of the lender, not the mortgage broker. They do not service loans once they are made.

QUESTION# 76

[QID: re\_question\_00147\_3226.dita]

Before approving a loan, the lender must qualify each of the following *EXCEPT*

- **the escrow company.**
- the buyer.
- the title.
- the property.

The answer is the escrow company. Before approving a loan, the lender must qualify the buyer, the title, and the property.

QUESTION# 77

[QID: re\_question\_00147\_3227.dita]

Which statement does *NOT* describe automated underwriting?

- **It has increased the time for loan approval from two to four weeks.**
- It is the process of electronically evaluating a loan application.
- It provides recommendations for or against loan approval.
- It determines the borrower's likelihood of defaulting on the mortgage loan.

The answer is it has increased the time for loan approval from two to four weeks. Automated underwriting is the process of electronically evaluating a loan application and subsequently providing a recommendation for or against loan approval. It has become the primary method for making loan decisions and has shortened the loan approval process from weeks to minutes. The computer models determine the borrower's likelihood of defaulting on the mortgage loan and thus determine the amount of income, credit history, and other documentation required by the lender.



QUESTION# 78

[QID: re\_question\_00147\_3228.dita]

Which is *NOT* a typical loan payment plan?

- **Down payment**
- Interest-only payment
- Flexible payment
- Balloon payment

The answer is down payment. Although most mortgage and deed-of-trust loans are fully amortized loans, other payment plans may be more appropriate under certain circumstances—such as the interest-only payment, the flexible payment, and the balloon payment.

QUESTION# 79

[QID: re\_question\_00147\_3229.dita]

Which is *NOT* true regarding transfer of title?

- **A title is considered to be transferred immediately after it is signed.**
- The grantor may deliver the deed to the grantee personally or through a third party.
- Title is said to "pass" only when a deed is delivered.
- The effective date of the transfer of title from the grantor to the grantee is the date of delivery of the deed itself.

The answer is a title is considered to be transferred immediately after it is signed. Title is not considered transferred until the deed is actually delivered to and accepted by the grantee. The grantor may deliver the deed to the grantee personally or through a third party. Title is said to "pass" only when a deed is delivered. The effective date of the transfer of title from the grantor to the grantee is the date of delivery of the deed itself. When a deed is delivered in escrow, the date of delivery is usually the date that the deed was deposited with the escrow agent.

QUESTION# 80

[QID: re\_question\_00147\_3230.dita]

An acknowledgment

- **is a formal declaration before a notary public or other authorized public officer that authenticates signatures on a document for the purpose of recording.**
- requires that a document be signed in front of a notary or other authorized public officer.
- provides evidence of the date on which a document was signed.
- is a sworn statement that the information contained in the document is true and correct.

The answer is is a formal declaration before a notary public or other authorized public officer that authenticates signatures on a document for the purpose of recording. An acknowledgment is a formal declaration before a notary public or other authorized public officer that authenticates signatures on a document for the purpose of recording. It generally states, "This instrument was acknowledged before me on the 16th day of July, 20xx, by John Doe." The document may not have been signed in front of the notary and may not have been signed that same day, but the signature must be acknowledged

in front of the notary. A jurat requires that a document be signed in front of a notary, and the person signing must swear that the information in the document is true and correct.

QUESTION# 81

[QID: re\_question\_00147\_3231.dita]

Which is *NOT* one of the four types of deeds used to convey real estate?

- **Comprehensive deed**
- General warranty deed
- Special warranty deed
- Deed without warranty (bargain and sale deed)

The answer is comprehensive deed. Generally, there are four types of deeds used to convey real estate. They are listed in descending order based on the warranty conveyed: (1) general warranty deed, (2) special warranty deed, (3) deed without warranty (bargain and sale deed), and (4) quitclaim deed.

QUESTION# 82

[QID: re\_question\_00147\_3232.dita]

With the covenant of seisin, the grantor warrants that

- **he is the owner of the property and has the right to convey title to it.**
- there are no recorded liens on the property.
- if the title fails, the grantor will compensate the grantee for any loss.
- the grantee's title is good against third-party claims to establish superior title.

The answer is he is the owner of the property and has the right to convey title to it. Through the covenant of seisin, the grantor warrants that he or she is the owner of the property and has the right to convey title to it. The grantee may recover damages up to the full purchase price if this covenant is broken. The remaining four basic implied warranties are (1) the covenant against encumbrances, (2) the covenant of quiet enjoyment, (3) the covenant of further assurance, and (4) the covenant of warranty forever.

QUESTION# 83

[QID: re\_question\_00147\_3233.dita]

Which is *NOT* true of a deed without warranty?

- **The grantee has extensive legal recourse if defects later appear in the title.**
- It uses the words "grant and release" or "grant, bargain, and sell" in the granting clause.
- It contains no warranties against encumbrances.
- It implies that the grantor holds title and possession of the property.

The answer is the grantee has extensive legal recourse if defects later appear in the title. The deed without warranty, sometimes called a bargain and sale deed, uses the words "grant and release" or "grant, bargain, and sell" in the granting clause. A deed without warranty contains no warranties against encumbrances; however, it does imply that the grantor holds title and possession of the property.

Because the warranty is not specifically stated, the grantee has little legal recourse if defects later appear in the title.

QUESTION# 84

[QID: re\_question\_00147\_3234.dita]

The statute of frauds requires that

- **most instruments affecting interests in real estate be in writing to be enforceable.**
- most instruments affecting interests in real estate include the Social Security numbers and driver's license numbers of the buyer and the seller.
- written instruments be used for all transfers of title or interest, whether by deed, mortgage, or lease (unless the lease is for one year or more).
- written instruments affecting interests in real estate be acknowledged or sworn to before their becoming valid.

The answer is most instruments affecting interests in real estate be in writing to be enforceable. The statute of frauds requires that instruments affecting interests in real estate be in writing to be enforceable. Written instruments are required for all transfers of title or interest, whether by deed, mortgage, or lease (unless the lease is for one year or less). Documents do not have to be acknowledged to be valid. Social Security numbers and driver's license numbers may not be included on a deed or deed of trust.

QUESTION# 85

[QID: re\_question\_00147\_3235.dita]

An abstract of title is

- **a condensed history of all the instruments found in the title search that affect a particular parcel of land.**
- a photocopy of all the instruments found in the title search that affect a particular parcel of land.
- the compilation of the first full line of each recorded instrument.
- recorded in the grantor/grantee indexes in the county clerk's office.

The answer is a condensed history of all the instruments found in the title search that affect a particular parcel of land. The abstracter searches all public records, then summarizes the recorded instruments that affected the title throughout its history, beginning with the original grant and proceeding in chronological order through all recorded instruments.

QUESTION# 86

[QID: re\_question\_00147\_3236.dita]

Which is *NOT* true of a title insurance policy?

- **Title insurance provides coverage only in cases of fraudulent inducement.**
- The title insurance company will defend the title at its own expense.
- The title company will pay any claims against the property if the title proves to be defective.
- Title insurance guarantees indemnification (reimbursement) for losses but does not guarantee continued ownership.

The answer is title insurance provides coverage only in cases of fraudulent inducement. Under the contract, the title insurance company will defend the title at its own expense, as well as pay any claims against the property if the title proves to be defective. Title insurance guarantees indemnification (reimbursement) for losses; it does not guarantee continued ownership.

QUESTION# 87

[QID: re\_question\_00147\_3237.dita]

A title commitment includes all of the following information *EXCEPT*

- **the litigation history of the seller as obtained through the title search.**
- the name of the insured party.
- the legal description of the real estate.
- the conditions and stipulations under which the policy is issued.

The answer is the litigation history of the seller as obtained through the title search. A commitment for title insurance is not the actual title policy but rather a statement of the terms and conditions on which the title insurance underwriter is willing to issue the title policy. It is the "offer" by the underwriter to enter into a legal contract with the proposed insured under stated conditions. It includes (1) the name of the insured party; (2) the legal description of the real estate; (3) the estate or interest covered; (4) a schedule of all exceptions, consisting of encumbrances and defects found in the public records; and (5) conditions and stipulations under which the policy is issued.

QUESTION# 88

[QID: re\_question\_00147\_3238.dita]

Which statement is *TRUE* about marketable title in Texas?

- **Texas title insurance companies do not insure marketable title.**
- Texas title insurance companies insure marketable title.
- Marketable title exposes a purchaser to the hazard of litigation.
- Marketable title insures that if there is a claim against the title, the claim can be defeated.

The answer is Texas title insurance companies do not insure marketable title. Title insurance companies in Texas insure good and indefeasible title, rather than marketable title. A good and indefeasible title is a title that cannot be defeated by a superior claim, set aside, or made void. It is less than marketable title. However, it insures against defects in the public records, forged documents, incompetent grantors, and more. Marketable title is free from any claim—but good and indefeasible title insures that, if there is a claim, the claim can be defeated.

QUESTION# 89

[QID: re\_question\_00147\_3239.dita]

Which of the following describes how to convert a percentage to a decimal?

- **Move the decimal two places to the left and drop the percent sign—or divide the number by 100**
- Move the decimal two places to the right or multiply the number by 100

- Divide the numerator by the denominator
- Divide the part by the total

The answer is move the decimal two places to the left and drop the percent sign—or divide the number by 100. To convert a percentage to a decimal, move the decimal two places to the left and drop the percent sign—or divide the number by 100. To convert a decimal to a percentage, move the decimal two places to the right or multiply the number by 100.

QUESTION# 90

[QID: re\_question\_00147\_3240.dita]

The seller's net after commission is

- **the amount of money left after the real estate commission is deducted from the sales price.**
- an amount of money held in reserve should closing costs be higher than anticipated.
- limited to 95% of the overall contract price by statute.
- the seller's net proceeds from a sale after income taxes have been paid.

The answer is the amount of money left after the real estate commission is deducted from the sales price. The amount of money left after the real estate commission is deducted from the sales price is called the seller's net after commission. The seller's net percentage is 100% minus the rate of commission. For example, if a real estate commission is 7%, the seller's net percentage is 93%.

QUESTION# 91

[QID: re\_question\_00147\_3241.dita]

Property taxes and insurance premiums usually are expressed as

- **rates per unit of value.**
- percentage.
- amount of profit.
- interest rate.

The answer is rates per unit of value. For example, taxes might be computed in a certain county at the rate of \$2.50 per \$100 of appraised value.

QUESTION# 92

[QID: re\_question\_00147\_3242.dita]

What is the formula for calculating the square footage of a square or rectangular parcel of land?

- **Area = length × width.**
- Area = length × width × height.
- Area = (base × height)/2.
- Area = length + width + length + width.

The answer is area = length × width. The square footage of a square or rectangular parcel of land would be calculated using this formula: area = length × width.

QUESTION# 93

[QID: re\_question\_00147\_3243.dita]

What is a prepaid item?

- **Item that has been paid by the seller but not fully used up**
- Item that is owed by the seller but eventually will be paid by the buyer
- Any item of real estate that has previously been purchased
- Expense that must be paid before funds can be disbursed from escrow

The answer is item that has been paid by the seller but not fully used up. Prepaid expense items are items to be prorated that have been prepaid by the seller but not fully used up (such as a prepaid insurance policy). The buyer owes the seller for these expenses. Prepaid income items, such as rental income, would be prorated and the income for the unused days transferred to the buyer from the seller at closing. Accrued expenses are owed by the seller but eventually will be paid by the buyer (such as accrued ad valorem property taxes).

QUESTION# 94

[QID: re\_question\_00147\_3244.dita]

The buyer and the seller deposit all pertinent documents with the escrow agent before the specified date of closing. The seller usually deposits each of the following *EXCEPT*

- **a hazard insurance policy.**
- the deed conveying the property to the buyer.
- title evidence (abstract or title insurance policy).
- the payoff letter or an estoppel certificate.

The answer is a hazard insurance policy. The seller usually deposits the deed conveying the property to the buyer, title evidence (abstract or title insurance policy), the payoff letter (a letter from the mortgagee of the existing mortgage, setting forth the amount needed to pay the loan in full) or an estoppel certificate (a statement showing the exact amount the buyer will assume), affidavits of title, and other instruments or documents necessary to clear the title or complete the transaction. The buyer deposits the cash needed to close, any loan documents, a hazard insurance policy, a survey, and other documents necessary to close.

QUESTION# 95

[QID: re\_question\_00147\_3245.dita]

Which is an advantage of closing a sale in escrow?

- **The buyer's check must clear before title passes.**
- The buyer receives title as soon as the seller signs the deed.
- The seller gets the balance of the purchase price before leaving the closing at the title company.
- The good-funds rule does not apply.

The answer is the buyer's check must clear before title passes. There are several advantages of closing a sale in escrow: (1) the buyer's money will not be paid to the seller until the seller's title is acceptable, (2) the seller is assured of getting the purchase price because the buyer's check must clear before title passes, and (3) neither party need be present when title is passed. Under the good-

funds rule of the Texas Department of Insurance, the title company must require that the buyer provide a cashier's check, certified check, or wired funds at closing if the amount due at closing is \$1,500 or more.

QUESTION# 96

[QID: re\_question\_00147\_3246.dita]

Loan documents, a hazard insurance policy, a survey, and other documents needed to complete the transaction are normally deposited in escrow prior to closing by

- **the buyer.**
- the seller.
- the lender.
- the escrow agent.

The answer is the buyer. Before closing in escrow, the buyer deposits the balance of the cash needed to complete the purchase, usually in the form of a certified check; loan documents (if the buyer is securing a new loan); a hazard insurance policy, including flood insurance (where required); a survey, if requested in the contract or required by the lender; and other documents needed to complete the transaction.

QUESTION# 97

[QID: re\_question\_00147\_3247.dita]

Under the doctrine of relation back, if the seller deposits the deed with an escrow agent under the terms of a valid escrow agreement and thereafter the conditions of the escrow are satisfied, the deed passes title to the purchaser

- **as of the date it was delivered to the escrow agent.**
- the first business day after delivery to the escrow agent.
- the first calendar day after delivery to the escrow agent.
- 24 hours after recording.

The answer is as of the date it was delivered to the escrow agent. If the seller deposits the deed with an escrow agent under the terms of a valid escrow agreement and thereafter the conditions of the escrow are satisfied, the deed passes title to the purchaser as of the date it was delivered to the escrow agent. This is called the doctrine of relation back—the title relates back to the date on which the deed was deposited in escrow.

QUESTION# 98

[QID: re\_question\_00147\_3248.dita]

For the purposes of RESPA, federally related loans include

- **loans made by lenders whose deposits are insured by federal agencies.**
- loans made by the federal government.
- loans made by federal employee pension funds.
- loans made by insurance companies.

The answer is loans made by lenders whose deposits are insured by federal agencies. For RESPA purposes, federally related loans include loans made by banks, savings associations, or other lenders whose deposits are insured by federal agencies. It also includes loans insured by the FHA and guaranteed by the VA; loans administered by HUD; and loans intended to be sold by the lenders to Fannie Mae, Ginnie Mae, or Freddie Mac.

QUESTION# 99

[QID: re\_question\_00147\_3249.dita]

Which property owner must disclose the presence of a high-risk sex offender living in the area?

- **The owner of a multidwelling apartment community that has a sex offender of any level living in that complex**
- The owner of any multidwelling apartment community that has a sex offender living within two blocks of the property
- The owner of a single-family rental house
- The owner of a duplex

The answer is the owner of a multidwelling apartment community that has a sex offender of any level living in that complex. The owners of single-family rental houses do not have a duty to disclose to buyers and rental applicants any information about high-risk sex offenders living near the rental dwelling. However, legal counsel for the Texas Apartment Association believes that, under common law, a multidwelling rental housing owner must disclose to all rental applicants and existing residents of an apartment community that a convicted sex offender of any level is living in the owner's own apartment community.

QUESTION# 100

[QID: re\_question\_00147\_3250.dita]

A lease may be recorded

- **in the county clerk's office.**
- in any county office.
- in the tax assessor's office.
- in the secretary of state's office.

The answer is in the county clerk's office. A lease may be recorded if signed and acknowledged before a notary public or other officer. Recording will take place in the county in which the property is located. Unless a lease is for three years or longer, it usually is not recorded.

QUESTION# 101

[QID: re\_question\_00147\_3251.dita]

A leasehold that continues for an indefinite period with the landlord's oral or written consent for as long as the tenant and landlord desire it to last is called

- **a tenancy at will.**
- a tenancy at sufferance.



- an estate for years.
- a life estate.

The answer is a tenancy at will. In a tenancy at will, the leasehold estate exists for as long as both the lessor and the lessee "will" it to last. It is a tenancy of indefinite duration and terminates when either party gives proper notice or upon the death of either party. A leasehold that continues for a definite period of time, whether for years, months, weeks, or even days, is an estate for years. An estate for years always has a specific starting and ending time and does not automatically renew at the end of the lease period. When the definite term specified in a written or an oral lease expires, the lessee is required to vacate the premises and surrender possession to the lessor. No notice is required to terminate the lease at the end of the lease period because a specific expiration date already is provided.

QUESTION# 102

[QID: re\_question\_00147\_3252.dita]

A landlord in a residential lease is obligated to refund or account for a security deposit

- **within 30 days of the tenant's surrender of the premises.**
- within 60 days of the tenant's surrender of the premises.
- within 15 days of the tenant's request.
- by the third business day after the tenant has furnished the landlord with the tenant's forwarding address.

The answer is within 30 days of the tenant's surrender of the premises. Under Texas law, within 30 days of the tenant's surrender of the premises, either a security deposit must be refunded to the tenant or the tenant must be provided with an explanation and accounting of damages and other charges being deducted from the deposit and for which the tenant is liable. However, the landlord is not obligated to return the security deposit until and unless the tenant has furnished the landlord with a written statement of the tenant's forwarding address. A landlord also must return a security deposit or rent prepayment when a tenant fails to occupy the premises under a lease and another tenant is secured.

QUESTION# 103

[QID: re\_question\_00147\_3253.dita]

For the purpose of a tenant's reporting emergencies that fall under the habitability statute, landlords who have onsite management or a superintendent's office

- **must provide tenants with a telephone number that will be answered 24 hours a day.**
- must have a 24-hour answering service that is answered by a person.
- may not provide a telephone number that is forwarded to a pager.
- may not provide a telephone number that is answered by an answering machine.

The answer is must provide tenants with a telephone number that will be answered 24 hours a day. Landlords who have onsite management or a superintendent's office must provide tenants with a telephone number that will be answered 24 hours a day for the purpose of a tenant's reporting emergencies that fall under the habitability statute.

QUESTION# 104

[QID: re\_question\_00147\_3254.dita]

Which person is *NOT* required to hold a real estate license?

- **Employee of the owner**
- Agent of the owner
- Person who procures tenants for a property
- Offsite apartment manager

The answer is employee of the owner. A real estate license is required when a person, for a fee, rents, leases, or procures tenants for a property or accepts or deposits rent from a resident of a single-family residence. An exception to the licensing requirement exists for an onsite apartment manager or an owner or owner's employee (not an agent) who leases the owner's real estate.

QUESTION# 105

[QID: re\_question\_00147\_3255.dita]

Which person must be properly licensed?

- **Property managers who lease and list properties**
- Property managers who collect or deposit rent from residents of apartment complexes
- Property managers who do billing statements
- Property managers who make maintenance arrangements

The answer is property managers who lease and list properties. The Enforcement Division of TREC issued the following statement: "Property managers who merely collect rent, do billing statements, and make maintenance arrangements do not need to be licensed. If a property management company is also going to lease and list for lease real property belonging to others, then the people who do the leasing and listing of the properties must be properly licensed." However, a person who accepts or deposits rent from a resident of a single-family residence is required to hold a real estate sales agent or broker license.

QUESTION# 106

[QID: re\_question\_00147\_3256.dita]

The property manager's responsibility to screen rental applicants and treat all applicants fairly falls within which of the manager's duties?

- **Securing suitable tenants**
- Budgeting and controlling expenses
- Collecting the rents
- Keeping proper accounts

The answer is securing suitable tenants. Property managers carry out a variety of duties, including securing suitable tenants (setting rental rates and selecting tenants), collecting the rents and retaining residents, caring for the premises (maintaining the property), budgeting and controlling expenses, hiring and supervising employees, and keeping proper accounts and making periodic reports to the owner.

QUESTION# 107

[QID: re\_question\_00147\_3257.dita]

During the tenant selection process, an owner or a property manager

- **may ask an applicant to provide documentation of citizenship or immigration status.**
- may not search criminal or sex offender databases.
- is not required to provide the applicant with a printed or online notice of the landlord's tenant selection criteria.
- is not required to abide by the Fair Housing Act's antidiscrimination provisions.

The answer is may ask an applicant to provide documentation of citizenship or immigration status. In addition, the owner or the property manager may search criminal or sex offender databases. A landlord must provide an applicant with a printed or online notice of the landlord's tenant selection criteria and must abide by the Fair Housing Act.

QUESTION# 108

[QID: re\_question\_00147\_3258.dita]

Awareness of the purposes of insurance coverage and how to *BEST* use the types of insurance available is called

- **risk management.**
- mortgage protection.
- asset coverage.
- multiperil avoidance.

The answer is risk management. Awareness of the purposes of insurance coverage and how to best use the types of insurance available is known as risk management. To manage the risks, many kinds of insurance coverage are available to owners and managers of income property, including, but not limited to, (1) fire and extended coverage insurance, (2) business interruption insurance, (3) liability insurance, (4) workers' compensation insurance, (5) casualty insurance, (6) surety bonds, and (7) flood and hurricane insurance.

QUESTION# 109

[QID: re\_question\_00147\_3259.dita]

Public land-use controls and private land-use controls through deed restrictions are used to accomplish

- **the control and regulation of land use.**
- governmental ownership of private lands.
- eminent domain.
- adverse possession.

The answer is the control and regulation of land use. The control and regulation of land use is accomplished in both the public and private sectors through three means. These are (1) public land-use controls; (2) private land-use controls through deed restrictions; and (3) public ownership of land—including parks, schools, and expressways—by the federal, state, and local governments.

QUESTION# 110

[QID: re\_question\_00147\_3260.dita]

Public controls used to regulate privately owned real estate do *NOT* include

- **deed restrictions.**
- zoning.
- subdivision regulations.
- environmental protection legislation.

The answer is deed restrictions. Privately owned real estate is regulated by public controls through zoning; subdivision regulations; codes that regulate building construction, safety, and public health; and environmental protection legislation. Deed restrictions are private land-use controls.

QUESTION# 111

[QID: re\_question\_00147\_3261.dita]

The comprehensive plan for community development

- **recommends treatment for historic preservation, downtown renewal, and environmental concerns.**
- restricts the height and size of buildings.
- establishes setbacks for building lines.
- controls the density of people and buildings in the community.

The answer is recommends treatment for historic preservation, downtown renewal, and environmental concerns. The comprehensive plan expresses community goals and objectives; designates areas for residential, commercial, and industrial development; indicates preferred locations for utility systems and for parks, golf courses, cemeteries, schools and libraries, fire stations, and other public facilities; proposes means for transporting people and products (roads, airports, railways); recommends treatment for such special problems as historic preservation, downtown renewal, flood control and drainage, noise mitigation, and other environmental concerns; and lists actions needed to carry out the plan. The remaining three items are controlled through zoning ordinances, which are a means for implementing the local comprehensive plan.

QUESTION# 112

[QID: re\_question\_00147\_3262.dita]

What boards have been established in *MOST* communities to hear complaints about the effects of zoning ordinances on specific parcels of property?

- **Zoning boards of adjustment**
- Planning and zoning boards
- Local adjustment boards
- Ordinance complaint review boards

The answer is zoning boards of adjustment. Zoning boards of adjustment (ZBAs) have been established in most communities to hear complaints about the effects of zoning ordinances on specific parcels of property.

QUESTION# 113

[QID: re\_question\_00147\_3263.dita]

The three distinct stages in the process of land development entail moving from

- **the initial planning stage to the final planning stage to disposition or start-up.**
- the initial planning stage to the start-up stage to disposition.
- the start-up stage to the initial planning stage to the final planning stage.
- the start-up stage to the final planning stage to disposition or start-up.

The answer is the initial planning stage to the final planning stage to disposition or start-up. The process of land development generally involves three distinct stages: (1) the initial planning stage; (2) the final planning stage; and (3) disposition, or start-up. During the initial planning stage, the developer seeks out raw land in a suitable area that can be profitably subdivided. In the final planning stage, the final engineering plans and the final subdivision plat are prepared, and approval is sought from the appropriate local officials, usually the planning and zoning commission and/or the city council. The disposition or start-up stage carries the development process to a conclusion. Streets, curbs, gutters, sanitary and storm sewers, and utilities are installed. Marketing programs are initiated and title to parcels is transferred as the lots are sold for home construction.

QUESTION# 114

[QID: re\_question\_00147\_3264.dita]

Which of the following is *NOT* liquid over a short period of time?

- **Real estate**
- Stocks
- Bonds
- Money market funds

The answer is real estate. Unlike stocks and bonds, real estate is not highly liquid over a short period of time. An investor usually cannot sell real estate quickly without taking some loss.

QUESTION# 115

[QID: re\_question\_00147\_3265.dita]

The two main factors that affect the appreciation in value of a real estate investment are

- **inflation and intrinsic value.**
- location and cash-flow management.
- leverage and equity buildup.
- pyramiding and available tax benefits.

The answer is inflation and intrinsic value. The two main factors affecting the appreciation in value of a real estate investment are (1) the effects of inflation (the amount of money in circulation) and (2) intrinsic value (the result of individual choice and preference for a given geographic area, based on features and amenities).

QUESTION# 116

[QID: re\_question\_00147\_3266.dita]

Which of the following describes a leasehold estate that runs for an indefinite period until terminated by either party?

- **Tenancy at will**
- Life estate
- Estate for years
- All of these

The answer is tenancy at will. A tenancy at will terminates upon either party's giving proper notice or by the death of either party. The tenant possesses the property with the consent of the landlord and has a duty to pay rent at regular intervals.

QUESTION# 117

[QID: re\_question\_00147\_3267.dita]

Whose interest is *BEST* protected by mortgagee title insurance?

- **The lender**
- The seller
- The title company
- The buyer

The answer is the lender. A mortgagee's title insurance policy assures a lender that it has a valid first lien against the property.

QUESTION# 118

[QID: re\_question\_00147\_3268.dita]

How does the Federal Reserve fight inflation?

- **Increase bank reserve requirements**
- Decrease discount rates
- Purchase municipal bonds
- Increase reserve deposits

The answer is increase bank reserve requirements. By increasing the reserve requirement, the amount of money available for loans is reduced, which raises interest rates and slows down an overactive economy.

QUESTION# 119

[QID: re\_question\_00147\_3269.dita]

What is the loan-to-value ratio on a home with a sales price of \$250,000 and a conventional loan of \$200,000?

- **80%**
- 90%
- 100%
- 85%

The answer is 80%. The loan-to-value ratio is calculated: loan ÷ value = LTV; \$200,000 ÷ \$250,000 = 80%.

QUESTION# 120

[QID: re\_question\_00147\_3270.dita]

A property actually sells for which of the following?

- **Market price**
- Market value
- Assessed price
- Appraised price

The answer is market price. Market price is also known as its selling price. Market value is an estimated price.

QUESTION# 121

[QID: re\_question\_00147\_3271.dita]

Written instruments affecting real estate should be recorded in

- **the county clerk's office in the county where the real estate is located.**
- the state auditor's office.
- the city tax office.
- both state and county tax offices.

The answer is the county clerk's office in the county where the real estate is located.

QUESTION# 122

[QID: re\_question\_00147\_3272.dita]

*Chain of title* refers to which of the following?

- A summary or history of all instruments and legal proceedings affecting a specific parcel of land
- An instrument that protects the insured parties against errors in the public records and hidden risks, such as forgeries and undisclosed heirs
- **The succession of conveyances from some starting point whereby the present owner derives title**
- Documentary proof that title is free of encumbrances

The answer is the succession of conveyances from some starting point whereby the present owner derives title.

QUESTION# 123

[QID: re\_question\_00147\_3273.dita]

The date and time a document was recorded establish

- **priority.**
- chain of title.
- subrogation.
- good and indefeasible title.

The answer is priority.

QUESTION# 124

[QID: re\_question\_00147\_3274.dita]

Kelly sells a portion of her property to Lew. Lew promptly records the deed in the appropriate county office. If Kelly tries to sell the same portion of her property to Melvin, which of the following statements is *TRUE*?

- **Melvin has been given constructive notice of the prior sale because Lew promptly recorded the deed.**
- Melvin has been given actual notice of the prior sale because Lew promptly recorded the deed.
- Because Melvin's purchase of the portion of Kelly's property is the more recent, it will have priority over Lew's interest, regardless of when Lew recorded the deed.
- Because Kelly is selling the property a second time, the courts will request a quitclaim deed from Lew.

The answer is Melvin has been given constructive notice of the prior sale because Lew promptly recorded the deed.

QUESTION# 125

[QID: re\_question\_00147\_3275.dita]

Which of the following approaches of value would be given the greatest weight in the appraisal of a residential property?

- **Sales comparison approach**
- Income approach
- Cost approach
- Depreciation approach

The answer is sales comparison approach. An appraiser typically uses one of three approaches to value—the sales comparison approach for existing single-family residences; the cost approach for churches, libraries, museums, and other properties with few sales and no income; and the income approach for income or investment property. Depreciation is a condition that adversely diminishes the value of an improvement to real property.

QUESTION# 126

[QID: re\_question\_00147\_3276.dita]



Which of the following approaches is *NOT* considered an approach to value?

- **Depreciation approach**
- Income approach
- Sales comparison approach
- Cost approach

The answer is depreciation approach. An appraiser typically uses one of three approaches to value—the sales comparison approach for existing single-family residences; the cost approach for churches, libraries, museums, and other properties with few sales and no income; and the income approach for income or investment property. Depreciation is a condition that adversely diminishes the value of an improvement to real property.

QUESTION# 127

[QID: re\_question\_00147\_3277.dita]

Which of these methods is *NOT* used to determine replacement cost?

- **Sales comparison method**
- Square-foot method
- Unit-in-place method
- Quantity-survey method

The answer is sales comparison method. An appraiser uses one of three methods to determine the replacement cost of a building. These include square-foot method, unit-in-place method, and quantity-survey method. Sales comparison is one of the three approaches used to determine value. The three approaches are sales comparison approach, cost approach, and income approach.

QUESTION# 128

[QID: re\_question\_00147\_3278.dita]

A Texas-licensed broker may conduct what type of appraisal?

- **None of these**
- Residential appraisal
- Commercial appraisal
- Appraisal of any property worth less than \$250,000

The answer is none of these. A Texas broker cannot conduct any type of appraisal without first being licensed by the Texas Appraiser Licensing and Certification Board. A broker may only do comparative market analyses or broker price opinions.

QUESTION# 129

[QID: re\_question\_00147\_3279.dita]

Which of the following is the mortgagor in a deed of trust?

- **The borrower**
- The lender

- The trustor
- The beneficiary

The answer is the borrower. The three parties involved in the deed-of-trust mortgage transaction are the borrower (the mortgagor, trustor, or grantor), the lender (the mortgagee or beneficiary), and a neutral third party (the trustee).

QUESTION# 130

[QID: re\_question\_00147\_3280.dita]

Which of the following describes a deed in lieu of foreclosure?

- **A lender takes title subject to other existing liens**
- A lender takes title free and clear of other existing liens
- A lender forgives the borrower's debt if the borrower files for bankruptcy
- A lender takes title but borrower continues to owe on other existing liens

The answer is a lender takes title subject to other existing liens. In a deed in lieu of foreclosure, sometimes called a friendly foreclosure, a defaulting borrower negotiates with a lender to voluntarily transfer the property's title to the lender, avoiding the foreclosure process. The lender takes the real estate subject to all junior liens. By accepting a deed in lieu of foreclosure, the lender may lose any rights pertaining to FHA or private mortgage insurance or VA guarantees, unless a prearrangement agreement is reached with the mortgage insurer/guarantor.

QUESTION# 131

[QID: re\_question\_00147\_3281.dita]

Under a power-of-sale clause, what happens to the other liens in a foreclosure?

- **All junior liens are extinguished.**
- A lender takes title subject to other existing liens.
- All junior liens are assumed.
- None of these.

The answer is all junior liens are extinguished. A foreclosure under a power-of-sale clause typically eliminates junior liens. However, foreclosure of a vendor's lien does not extinguish junior liens unless those lienholders were named in the foreclosure suit.

QUESTION# 132

[QID: re\_question\_00147\_3282.dita]

What of these types of notices is *NOT* required when a lender forecloses on a mortgage?

- **By email to each debtor**
- By certified mail to each debtor
- By filing with the county clerk where the property is located
- By posting it at the courthouse door in the county where the property is located

The answer is by email to each debtor. The trustee must give written notice of the proposed sale at least 21 days preceding the date of the sale by (1) filing it with the county clerk of each county where the property is located, (2) sending it by certified mail to each debtor obligated to pay the debt, and (3) posting it at the courthouse door in the county where the property is located or posting it on an electronic display, such as an electronic kiosk, electronic bulletin board, or the county's public internet site.

QUESTION# 133

[QID: re\_question\_00147\_3283.dita]

Which of the following is a type of loan payment plan in which the borrower pays a constant amount?

- **Fully amortized**
- Partially amortized
- Flexible payment
- Straight payment

The answer is fully amortized. In a fully amortized payment plan, the mortgagor pays a constant amount, usually monthly. The mortgagee credits each payment first to the interest owed. The balance is then applied to reduce the principal amount over a term of years. Although the amount of each principal and interest payment is the same, the portion applied toward repayment of the principal grows and the interest due declines as the unpaid balance of the loan is reduced. At the end of the term, the full amount of the principal and all interest due is reduced to zero.

QUESTION# 134

[QID: re\_question\_00147\_3284.dita]

What is the loan-to-value ratio of a property with a sales price of \$200,000 and an appraised value of \$220,000, secured by a \$160,000 loan?

- **80%**
- 73%
- 78%
- 82%

The answer is 80%. The loan-to-value (LTV) ratio is calculated by dividing the amount of the loan by the value of the property, which is the lesser amount of sales price or appraisal. The LTV is 80%:  $\$160,000 \text{ (loan)} \div \$200,000 \text{ (lesser of sales price or appraisal)} = 80\%$ .

QUESTION# 135

[QID: re\_question\_00147\_3285.dita]

Which of these types of loans usually involves a balloon payment?

- **A partially amortized loan**
- A fully amortized loan
- A term loan
- A flexible-payment loan

The answer is a partially amortized loan. A partially amortized loan requires periodic payments that will not fully amortize the amount of the loan by the time the final payment is due. The final payment is larger than the others and is called a balloon payment.

QUESTION# 136

[QID: re\_question\_00147\_3286.dita]

How is the loan-to-value ratio (LTV) calculated?

- **Divide the amount of the loan by the lesser amount of the sales price or the appraisal**
- Divide the amount of the loan by the greater amount of the sales price or the appraisal
- Divide the lesser of the sales price or the appraisal by the amount of the loan
- Divide the greater of the sales price or the appraisal by the amount of the loan

The answer is divide the amount of the loan by the lesser amount of the sales price or the appraisal. The LTV is calculated by dividing the amount of the loan by the value of the property, which is the lesser amount of the sales price or the appraisal.

QUESTION# 137

[QID: re\_question\_00147\_3287.dita]

Which of these is *NOT* required in a deed?

- **Amount of consideration**
- Name of the grantor and the grantee
- A description of the property sufficient to identify it
- Words of conveyance

The answer is amount of consideration. The minimum general requirements for an instrument to qualify as a deed in Texas are that it name the grantor and grantee, state that consideration was given, contain a description of the property sufficient to identify it, contain words of conveyance, be in writing and signed by the grantor or properly authorized agent, be delivered to the grantee or the grantee's agent, and be accepted.

QUESTION# 138

[QID: re\_question\_00147\_3288.dita]

Which of these applies to a deed executed by a person *NOT* of lawful age in Texas?

- **It is voidable.**
- It is void.
- It is null.
- It is none of these.

The answer is it is voidable. A deed executed by one who has not reached majority is considered voidable, not void. Minors can repudiate their conveyance of real estate after reaching majority, at which time they have a reasonable time in which to repudiate. "Reasonable time" varies with each case.

QUESTION# 139

[QID: re\_question\_00147\_3289.dita]

A deed naming as the grantee a wholly fictitious person would be considered

- **void.**
- voidable.
- transferrable.
- repudiated.

The answer is void. To be valid, a deed must name a grantee in a way that is readily identifiable. A deed naming as the grantee a wholly fictitious person—a company that does not exist legally or a society or club that is not properly incorporated—is considered void.

QUESTION# 140

[QID: re\_question\_00147\_3290.dita]

Which of the following types of deeds provides the greatest protection?

- **A general warranty deed**
- A special warranty deed
- A quitclaim deed
- A deed without warranty

The answer is a general warranty deed. For a purchaser of real estate, a general warranty deed provides the greatest protection of any deed. It is called a general warranty deed or warranty deed because certain covenants or warranties legally bind the grantor. In some states, but not in Texas, the grantor's warranties are expressly written into the deed itself. In Texas, the warranties usually are implied by the use of certain words specified in the state statutes. Some of the specific words include "convey and warrant," "warrant generally," and "grant, bargain, and sell."

QUESTION# 141

[QID: re\_question\_00147\_3291.dita]

Whose interest is insured with mortgagee title insurance?

- **The lender**
- The owner
- The title company
- None of these

The answer is the lender. A mortgagee's title insurance policy assures a lender that it has a valid first lien (or perhaps a second lien) against the property. Reimbursement on the mortgagee's policy is limited to the outstanding loan balance; the lender's coverage decreases as the loan balance decreases.

QUESTION# 142

[QID: re\_question\_00147\_3292.dita]

In which of the following cases will title insurance *NOT* transfer?

- **Sale of property to a new owner**
- Inheritance of property from the original named insured
- Receipt of title in a dissolution of marriage with the original named insured
- Transfer of a trust to beneficiaries upon the death of the original named insured

The answer is sale of property to a new owner. An owner's title insurance policy on residential property, if issued to an individual, will provide for continuation of coverage in four situations: inheritance of property from the original named insured; receipt of title in a dissolution of marriage with the original named insured; transfer of title into a living trust by the original named insured; and transfer of a trust to beneficiaries upon the death of the original named insured.

QUESTION# 143

[QID: re\_question\_00147\_3293.dita]

Title insurance guarantees which of the following?

- **Indemnification for losses**
- Continued ownership
- Punitive damages
- None of these

The answer is indemnification for losses. Title insurance guarantees indemnification (reimbursement) for losses; it does not guarantee continued ownership. When a title company makes a payment to settle a claim covered by a policy, the company gets all the remedies and rights that the insured party had against anyone responsible for the settled claim.

QUESTION# 144

[QID: re\_question\_00147\_3294.dita]

Title insurance insures against what type of event?

- **An event that happened before the policy was issued**
- A future event
- Both future and past events
- None of these

The answer is an event that happened before the policy was issued. A title insurance policy is a contract under which the policyholder is protected from losses arising from defects in the title. Unlike other insurance policies that insure against future losses, title insurance protects the insured from an event that occurred before the policy was issued. A title insurance company determines whether the title is insurable based on a review of the public records.

QUESTION# 145

[QID: re\_question\_00147\_3295.dita]

A house sells for \$160,000 and the broker is to receive a 5% commission. What is the broker's commission?

- **\$8,000**
- \$6,000
- \$3,000
- \$9,000

The answer is \$8,000. Multiply  $160,000 \times 0.05$ .

QUESTION# 146

[QID: re\_question\_00147\_3296.dita]

The broker's commission is 5% and the house sold for \$240,000. How much is the commission?

- **\$12,000**
- \$6,000
- \$14,000
- \$10,000

The answer is \$12,000. Multiply  $240,000 \times 0.05$ .

QUESTION# 147

[QID: re\_question\_00147\_3297.dita]

Calculate 20% of 150,000.

- **30,000**
- 3,000
- 300
- 30

The answer is 30,000. Multiply  $150,000 \times 0.20$ .

QUESTION# 148

[QID: re\_question\_00147\_3298.dita]

What is the area of a 20-foot-by-30-foot garage?

- **600 square feet**
- 400 square feet
- 300 square feet
- 200 square feet

The answer is 600 square feet. Multiply 20 by 30 to find the area of the room in square feet.

QUESTION# 149

[QID: re\_question\_00147\_3299.dita]

In Texas, where does a closing typically take place?

- **A title company**
- The buyer's lending institution
- An attorney's office
- A real estate broker's office, or in front of a notary public.

The answer is a title company. Closings may be held at a number of locations, including a title company, the buyer's lending institution, an attorney's office, a real estate broker's office, or in front of a notary public. In Texas, the closing usually takes place at a title company.

QUESTION# 150

[QID: re\_question\_00147\_3300.dita]

Which of the following is prohibited by RESPA?

- **Unearned fees**
- Fee splitting among cooperating brokers
- Brokerage referral arrangements
- Referrals made by an employee to generate business for the company itself

The answer is unearned fees. RESPA explicitly prohibits the payment of kickbacks, or unearned fees, in any real estate settlement service. It prohibits referral fees when no services are actually rendered. This prohibition against kickbacks does not include fee splitting among cooperating brokers or members of multiple listing services, brokerage referral arrangements, the division of a commission between brokers and their salespeople, or referrals made by an employee to generate business for the company itself.

QUESTION# 151

[QID: re\_question\_00147\_3301.dita]

What does CBA stand for?

- **A controlled business arrangement**
- A controlled broker association
- A controlled banker association
- A consumer business arrangement

The answer is a controlled business arrangement. A real estate firm, title insurance company, mortgage broker, home inspection company, or even moving company may agree to offer a package of services to consumers. Controlled business arrangements are permitted as long as a consumer is clearly informed of the relationship among the service providers and that other providers are available. Fees may not be exchanged among the affiliated companies simply for referring business to one another.

QUESTION# 152

[QID: re\_question\_00147\_3302.dita]

Which statement is *TRUE*?



- **A license holder may accept payment for non-transaction-related services for a residential service company, if the license holder discloses the payment to the party the license holder represents.**
- A license holder may enter into a contract with a service provider where the license holder is limited from offering similar services on behalf of a competing service provider.
- A license holder may accept a fee from a service provider to a real estate transaction if the payment is contingent upon a party's purchasing a contract or service from the provider.
- A license holder may not accept payment for non-transaction-related services for a residential service company, even if the license holder discloses the payment to the party the license holder represents.

The answer is a license holder may accept payment for non-transaction-related services for a residential service company, if the license holder discloses the payment to the party the license holder represents. TREC rules prohibit a license holder from entering into a contract with a service provider, such as a home warranty company, if that agreement would prohibit the license holder from offering similar services on behalf of a competing service provider. A license holder is also prohibited from accepting a fee from a service provider to a real estate transaction if the payment is contingent upon a party's purchasing a contract or service from the provider. If a license holder is paid for performing non-transaction-related services for a residential service company (home warranty company), a Texas license holder must disclose such payments to the party the license holder represents.

QUESTION# 153

[QID: re\_question\_00147\_3303.dita]

Which of these terms is *NOT* equivalent to the others?

- **Lessee**
- Owner
- Landlord
- Lessor

The answer is lessee. The terms *owner*, *landlord*, and *lessor* are equivalent. Similarly, *renter*, *tenant*, and *lessee* describe the same person.

QUESTION# 154

[QID: re\_question\_00147\_3304.dita]

Under the Texas statute of frauds, a lease for a term of more than what period of time must be written to be enforceable?

- **One year**
- 90 days
- Six months
- Two years

The answer is one year. The Texas statute of frauds requires that a lease for a term of more than one year be written to be enforceable. It must be signed by the parties to be charged with its performance.

QUESTION# 155

[QID: re\_question\_00147\_3305.dita]

What type of leasehold describes a situation in which a tenant who lawfully possessed real property continues in possession of the premises without the landlord's consent after the rights expire?

- **A tenancy at sufferance**
- A tenancy at will
- A periodic estate
- An estate for years

The answer is a tenancy at sufferance. A leasehold that continues for a definite period is an estate for years. A periodic estate is created when the landlord and the tenant enter into an agreement that continues for an indefinite length of time without a specific expiration date. A tenancy at will is a leasehold estate that exists for as long as both the lessor and the lessee desire it to last. A tenancy at sufferance arises when a tenant who lawfully possessed real property continues in possession of the premises without the landlord's consent after the rights expire.

QUESTION# 156

[QID: re\_question\_00147\_3306.dita]

Under the Texas Real Estate License Act (TRELA), all contracts for services provided by real estate license holders must have a definite termination date that is not subject to prior notice, *EXCEPT*

- **a property management contract.**
- a residential resale listing contract.
- a condominium listing contract.
- a commercial sales listing contract.

The answer is a property management contract. Section 1101.652(b)(12) of the Texas Real Estate License Act requires that all contracts for services provided by real estate license holders have a definite termination date that is not subject to prior notice except for property management agreements.

QUESTION# 157

[QID: re\_question\_00147\_3307.dita]

People who do not otherwise engage in real estate brokerage activity must still have a real estate license if they

- **control the acceptance or deposit of rent for a single-family residential unit.**
- control the acceptance or deposit of rent for a duplex.
- control the acceptance or deposit of rent for a multifamily residential unit.
- control the acceptance or deposit of rent for commercial property.

The answer is control the acceptance or deposit of rent for a single-family residential unit. Property managers who merely collect rent, do billing statements, and make maintenance arrangements do not need to be licensed. If a property management company is also going to lease and list for lease real property belonging to others for compensation, then the persons who do the leasing and listing of the properties must be properly licensed. As of 2011, anyone who controls the collection of or deposits rent for a single-family residence must be licensed as a real estate sales agent or broker.

QUESTION# 158

[QID: re\_question\_00147\_3308.dita]

A property manager of a single-family residential unit may do all of the following without a license *EXCEPT*

- **control the acceptance or deposit of rent.**
- prepare billing statements.
- collect rent and mail it to the landlord.
- maintain the property.

The answer is control the acceptance or deposit of rent. Property managers who merely collect rent, do billing statements, and make maintenance arrangements do not need to be licensed. If a property management company is also going to lease and list for lease real property belonging to others for compensation, then the people who do the leasing and listing of the properties must be properly licensed. As of 2011, anyone who controls the collection or deposit of rent for a single-family residential unit must be licensed as a real estate sales agent or broker.

QUESTION# 159

[QID: re\_question\_00147\_3309.dita]

Which of these is *NOT* a legitimate reason for rejecting a prospective tenant?

- **Familial status**
- Evictions
- Frequent moves
- Bad credit report

The answer is familial status. In selecting tenants, the property manager must comply with all federal, state, and local fair housing laws, which prohibit discrimination based on race, color, religion, sex, handicap, familial status, and national origin. Some of the most common and legitimate reasons for rejecting prospective tenants include the applicant's criminal history, previous rental history, current income, credit history, or failure to provide accurate or complete information on the application form.

QUESTION# 160

[QID: re\_question\_00147\_3310.dita]

The most common and legitimate reasons for rejecting prospective tenants include all of the following *EXCEPT*

- **children.**
- too many debts.
- smokers.
- pets.

The answer is children. In selecting tenants, the property manager must comply with all federal, state, and local fair housing laws, which prohibit discrimination based on race, color, religion, sex, handicap, familial status, and national origin. Rejecting tenants because they have children is making a decision based on familial status, which is prohibited by law.

QUESTION# 161

[QID: re\_question\_00147\_3311.dita]

Who typically pays a residential rental locator?

- **Apartment owner**
- Tenant
- Lender
- Apartment owner and tenant, who split the fee

The answer is apartment owner. A residential rental locator matches landlords and tenants. The locator usually works as an independent contractor for several apartment complexes, finds apartment units for prospective tenants, qualifies prospective tenants, and negotiates leases with the apartment complexes. A rental locator is generally paid by the owner of the apartments.

QUESTION# 162

[QID: re\_question\_00147\_3312.dita]

Which of the following entities licenses auctioneers?

- **Texas Department of Licensing and Regulation**
- Texas Auctioneer's Board
- Texas Real Estate Commission
- Texas Auctioneer's Licensing and Certification Board

The answer is Texas Department of Licensing and Regulation.

QUESTION# 163

[QID: re\_question\_00147\_3313.dita]

Which of the following agencies license property developers?

- **Licensing not required**
- Texas Department of Licensing and Regulation
- Texas Property Development Board
- Texas Real Estate Commission

The answer is licensing not required. Property development is composed of several different professions. It includes the work of land developers and subdividers who purchase raw land, divide it into lots, build roads, and install utilities. There are no licensing requirements for property developers unless they engage in activities, such as real estate brokerage, that require a license.

QUESTION# 164

[QID: re\_question\_00147\_3314.dita]

In 2013, what was the primary specialty of Texas REALTORS®?

- **Residential sales**
- Property management
- Commercial sales
- Apartment locating

The answer is residential sales. According to a survey conducted by the National Association of REALTORS® in 2013, the primary specialty of 79% of REALTORS® in Texas was residential sales.

QUESTION# 165

[QID: re\_question\_00147\_3315.dita]

Which of these specialties requires a TREC license?

- **Rental locator**
- Property management
- Property developer
- Home builder

The answer is rental locator. A residential rental locator matches landlords and tenants. A rental locator is generally paid by the owner of the apartments and must be licensed by the Texas Real Estate Commission (TREC). Apartment locators are required to comply with specific advertising rules. Not all property managers must be licensed by TREC. Managers who are not otherwise exempt from licensing requirements and who engage in leasing activity or control the acceptance or deposit of rent for single-family residential units must have a real estate sales or broker license.

QUESTION# 166

[QID: re\_question\_00147\_3316.dita]

Multiple offers to purchase real estate are not considered competitive bids requiring an auctioneer's licensure if all the material terms of the transaction

- **other than price are different.**
- other than price are the same.
- including price are submitted by sealed bid.
- including price are the same.

The answer is other than price are different. The Texas Department of Licensing and Regulation (TDLR) recently amended its rules to clarify that multiple offers to purchase real estate are not considered competitive bids requiring an auctioneer's licensure if all the material terms of the transaction other than price are different.

QUESTION# 167

[QID: re\_question\_00147\_3317.dita]

An appraisal may be *BEST* defined as

- **an opinion of value.**
- a price opinion.

- a comparative market analysis.
- a cost/benefit analysis.

The answer is an opinion of value. The process of developing an opinion of value for a parcel of real estate is appraisal. Although brokers must have some understanding of valuation as part of their training, they may only give a broker price opinion or a comparative market analysis.

QUESTION# 168

[QID: re\_question\_00147\_3318.dita]

Which of the following agencies license home inspectors?

- **Texas Real Estate Commission**
- Texas Department of Licensing and Regulation
- Texas Real Estate Inspector Licensing Board
- Texas Board of Professional Engineers

The answer is Texas Real Estate Commission. Home inspectors are licensed by TREC. The Texas Real Estate Inspector Committee is an advisory committee whose members are appointed by the Commission.

QUESTION# 169

[QID: re\_question\_00147\_3319.dita]

Which of the following agencies license escrow officers?

- **Texas Department of Insurance**
- Texas Department of Savings and Mortgage Lending
- Texas Real Estate Commission
- Texas Department of Licensing and Regulation

The answer is Texas Department of Insurance. Title insurance and abstract companies ensure good title to the buyer of real estate. Title insurance escrow officers must be licensed by the Texas Department of Insurance.

QUESTION# 170

[QID: re\_question\_00147\_3320.dita]

An auction is *BEST* defined as

- **the sale of property by competitive bid using any method, format, or venue.**
- the sale of property by sealed bid.
- the sale of property by oral competitive bid in a public venue.
- none of these.

The answer is the sale of property by competitive bid using any method, format, or venue. As amended by H.B. 3038 (2013), Chapter 1802 of the Texas Occupations Code defines "auction" as "the sale of property by competitive bid using any method, format, or venue." The Texas Department of Licensing and Regulation (TDLR) recently amended its rules to clarify that multiple offers to purchase real estate

are not considered competitive bids requiring an auctioneer's licensure if all the material terms of the transaction other than price are different.

QUESTION# 171

[QID: re\_question\_00147\_3321.dita]

Which of these is *NOT* considered a public land-use control?

- **Deed restriction**
- Zoning ordinance
- Subdivision regulation
- Building code

The answer is deed restriction. Public land-use controls on ownership of real property include zoning ordinances, subdivision regulations, and building codes. An example of private controls would be deed restrictions.

QUESTION# 172

[QID: re\_question\_00147\_3322.dita]

What of the following requires obtaining a conditional-use permit?

- **Managing a bed and breakfast in a residential neighborhood**
- Remodeling a garage into a playroom
- Adding an aboveground pool in a backyard
- None of these

The answer is managing a bed and breakfast in a residential neighborhood. If a property use is only marginally acceptable in a specific type of zone, the owner would submit a request for approval to the planning and zoning commission for a conditional-use permit. The approval of a B&B in a residential zoning district would be as a conditional use, a use permitted in the appropriate zoning district only when all conditions set forth by the planning and zoning commission are met. The special conditions would be designed to minimize an adverse impact on the surrounding areas by enhancing existing regulations in the zoning ordinance. A conditional-use permit may be issued to either run with the land or run with the ownership.

QUESTION# 173

[QID: re\_question\_00147\_3323.dita]

Which one of these would be considered extraterritorial jurisdiction?

- **The subdivision of land located within one-half to five miles of an incorporated village, town, or city**
- The subdivision of land located within one-half to five miles of an unincorporated village, town, or city
- Land located within one-half mile of a coastal waterway
- Land located within one-quarter mile of the center of a riverway

The answer is the subdivision of land located within one-half to five miles of an incorporated village, town, or city. Texas has enacted legislation providing that the subdivision of land located within one-half to five miles of an incorporated village, town, or city must be approved by the municipality or the county. This is known as extraterritorial jurisdiction (ETJ). In populous counties, regulation of subdivisions in the ETJ is the exclusive responsibility of the county.

QUESTION# 174

[QID: re\_question\_00147\_3324.dita]

Which of the following describes laches?

- **The loss of a right through undue delay or failure to assert it**
- The loss of a right because someone else has asserted it
- The loss of a right based on intentional actions
- The loss of a right based on capricious actions

The answer is the loss of a right through undue delay or failure to assert it. If a violation of a deed restriction is being committed, a nearby neighbor can lose the right to obtain a court injunction by inaction; the court might claim the neighbor's right was lost through undue delay or failure to assert it, which is called laches. Where extensive and continuing violations of deed restrictions are evident, Texas courts may refuse to enforce them because such violations indicate the lot owners have abandoned the original scheme or plan.

QUESTION# 175

[QID: re\_question\_00147\_3325.dita]

What of the following describes an equity REIT?

- **A pool of large-scale income properties whose shares are sold to investors**
- Where several investors pool their funds to purchase one particular property
- A pool of residential property mortgages wherein shares are sold to investors.
- None of these

The answer is a pool of large-scale income properties whose shares are sold to investors. Much like mutual fund operations, an equity real estate investment trust (REIT) pools an assortment of large-scale income properties and sells shares to investors. This is in contrast to a real estate syndicate, through which several investors pool their funds to purchase one particular property. An equity REIT also differs from a syndicate in that the REIT realizes and directs its main profits through the income derived from the various properties it owns rather than from the sale of those properties.

QUESTION# 176

[QID: re\_question\_00147\_3326.dita]

What does *REIT* stand for?

- **Real estate investment trust**
- Real estate insurance trust
- Real estate investment trade
- Real estate investment tax



The answer is a real estate investment trust. Similar to a mutual fund, a real estate investment trust (REIT) is a security that is invested in real estate directly, either through properties or mortgages. By directing funds into REITs, real estate investors can take advantage of the same tax benefits as mutual fund investors.

QUESTION# 177

[QID: re\_question\_00147\_3327.dita]

Which of the following is *TRUE*?

- **Land cannot be depreciated.**
- Land can always be depreciated.
- Land can be depreciated with limitations.
- None are true.

The answer is land cannot be depreciated. Depreciation is an accounting theory that allows for recovery of the cost of an income-producing asset by way of tax deductions over the asset's useful life. Depreciation deductions may be taken only on personal property and improvements to land and only if they are used in a business or to produce income. Land cannot be depreciated because technically it never wears out or becomes obsolete.

QUESTION# 178

[QID: re\_question\_00147\_3328.dita]

How is a tax credit treated for income tax purposes?

- **It is a direct reduction in tax due.**
- It is a deduction from the income on which the tax is computed.
- It is the same as a deduction.
- It is a proportional reduction in tax due.

The answer is it is a direct reduction in tax due. A tax credit is a direct reduction in tax due, rather than a deduction from the income on which the tax is computed. A tax credit is of greater value than a tax deduction.

QUESTION# 179

[QID: re\_question\_00147\_3329.dita]

If a homeowner hears a rumor that an abandoned home next to his is about to be taken by the city and converted to a park, the appraiser would value the homeowner's property on the basis of

- **anticipation.**
- conformity.
- plottage.
- competition.

The answer is anticipation. Having an abandoned home next door would suppress the value of the home beside it. Razing the abandoned home and creating a park, however, would likely improve values.

QUESTION# 180

[QID: re\_question\_00147\_3330.dita]

The purpose of a CMA is

- **to act as a general guide to what similar properties are selling for.**
- to set the legal price of the property.
- to give a seller an estimate of how much commission will be paid upon sale.
- irrelevant because it is an obsolete document that has been replaced with professional appraisals of value.

The answer is to act as a general guide to what similar properties are selling for. The CMA is an important starting point for seller and sales agent discussions of how to price a property on the current market.