

**TEXAS PRINCIPLES OF REAL ESTATE II FINAL 2023-2024 ACTUAL
EXAM 250 QUESTIONS AND CORRECT DETAILED ANSWERS
(VERIFIED ANSWERS) | A GRADE || BRAND NEW!!**

The legal procedure under which property may be sold to satisfy an unpaid promissory note.

- a. Primary mortgage market
- b. Redlining
- c. Underwriting
- d. Foreclosure
- e. Origination - ANSWER- D

The market in which borrowers and mortgage lenders come together to create and negotiate terms of a mortgage transaction is called the primary mortgage market.

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- a. True
- b. False - ANSWER- A

The person who evaluates a borrower's loan application and examines a borrower's credit worthiness for the risk of repayment to the lender is called a/an:

- a. Mortgage Broker
- b. Mortgage Banker
- c. Underwriter
- d. Agent - ANSWER- C

The Consumer Financial Protection Bureau enforces:

- a. The Real Estate Settlement Procedures Act

- b. The Fair Credit Reporting Act
- c. The Truth In Lending Act
- d. All of the above - ANSWER- D

The Equal Credit Opportunity Act prohibits credit discrimination on the basis of:

- a. Race
- b. Religion
- c. Sex
- d. All of the above - ANSWER- D

The government purchases existing mortgages from the primary mortgage market for the secondary market.

- a. True
- b. False - ANSWER- A

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All of the following are true about Fannie Mae, EXCEPT:

- a. It plays a vital role in financing and increasing home ownership opportunities in the U.S.
- b. It operates exclusively in the secondary market
- c. It used to be called The Federal Home Loan Mortgage Corporation
- d. It standardizes mortgage loans, thereby attracting investors who traditionally have not invested in the primary market - ANSWER- C

The Loan Estimate does not allow for any charges to increase at closing.

- a. True

b. **False** - ANSWER- B

The right of the government to take an individual's land if he or she dies without a will or heirs.

a. Police power

b. Ad valorem

c. Taxation

d. Escheat

e. **Condemnation** - ANSWER- D

The government's right to tax real estate.

a. Police power b. Ad valorem c. **Taxation** d. Escheat

e. Condemnation - ANSWER- C

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The right of the government to regulate and control the way that an individual uses his or her land.

a. **Police power**

b. Ad valorem

c. Taxation

d. Escheat

e. Condemnation - ANSWER- A

The action of government seizure of land for the good of the public.

a. Police power

b. Ad valorem

- c. Taxation
- d. Escheat
- e. **Condemnation** - ANSWER- E

According to value

- a. Police power
- b. **Ad valorem**
- c. Taxation
- d. Escheat
- e. Condemnation - ANSWER- B

The approach used as the best indicator of value for existing properties.

- a. functional obsolescence
- b. sales comparison
- c. highest and best use
- d. market value
- e. external obsolescence

B

Refers to the loss in desirability of the style, layout, or function of an element of a property over time.

- a. functional obsolescence
- b. sales comparison
- c. highest and best use
- d. market value
- e. external obsolescence

A

The price a willing seller will sell for, and the price a willing buyer will pay.

- a. functional obsolescence
- b. sales comparison

- c. highest and best use
- d. market value
- e. external obsolescence

D

The legal use for property that gives the greatest return in money and/or amenities.

- a. functional obsolescence
- b. sales comparison
- c. highest and best use
- d. market value
- e. external obsolescence

C

The loss in value of a property caused by factors outside of the property itself.

- a. functional obsolescence
- b. sales comparison
- c. highest and best use
- d. market value
- e. external obsolescence

E

The appraised value of a property is:

- a. The sale price
- b. An opinion of value
- c. A market analysis
- d. The market value of a property

B

A "lite" appraisal is often referred to as a(n):

- a. Drive-by appraisal
- b. Full appraisal
- c. Appraisal review
- d. Summary appraisal

A

In the appraisal report, the property being appraised is referred to as the _____.

- a. Target property
- b. Comparable property
- c. Sold property
- d. Subject property

D

A homeowner added a swimming pool to a home at a cost of \$75,000. During an appraisal, the appraiser determined that the pool added \$55,000 to the value of the property. In this case, the appraiser was applying the principle of _____ in the analysis.

- a. Anticipation
- b. Change
- c. Substitution
- d. Contribution

D

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An appraisal has a limited "shelf life" because of the principle of _____.

- a. Anticipation
- b. Change
- c. Substitution
- d. Contribution

B

The legal use of a property that gives the greatest return in money and/or amenities is known as the property's _____.

- a. Net adjusted value
- b. Highest and best use
- c. Going concern value

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d. Assessed value

B

The value of a property can automatically be inferred from the prices at which other similar properties have sold.

a. True

b. False

B

_____ is the most probable price a property should bring in a competitive and open market under all conditions requisite to a fair sale.

a. Sales price

b. Business value

c. Assessed value

d. Market value

D

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The chronological age of a property is:

a. The actual age of the property

b. The age of the property based upon its current condition

c. The age of the property as estimated by an appraisal district

d. The actual age of the property minus the number of years remaining on a mortgage

A

In a neighborhood of homes that primarily have three or four bedrooms and two or more baths, an appraiser adjusts the value of a property downward because it has three bedrooms and only one bath. This adjustment is an example of

_____.

a. Physical deterioration

b. Economic obsolescence

c. Functional obsolescence

d. External obsolescence

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C

Which of the following principles of Real Estate Appraisal subscribes to the notion that value is derived from the expectancy of future benefits from a location?

- a. The Principal of Substitution
- b. The Principle of Anticipation
- c. Highest and Best Use
- d. The Principle of Change

B

When the demand for real estate in an area is great, and the supply is low:

- a. The price goes up
- b. The price goes down
- c. The price stays the same
- d. More properties have to be put on the market

A

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The effective age of a house can be younger than its chronological age if it has been well-maintained.

- a. True
- b. False

A

The process of making a lending decision.

- a. Primary mortgage market
- b. Redlining
- c. Underwriting
- d. Foreclosure
- e. Origination

C

The process of creating a new mortgage loan.

- a. Primary mortgage market
 - b. Redlining
 - c. Underwriting
 - d. Foreclosure
 - e. Origination
- E

The practice of refusing to provide financing in a particular location.

- a. Primary mortgage market
 - b. Redlining
 - c. Underwriting
 - d. Foreclosure
 - e. Origination
- B

The market in which borrowers and lenders come together to create and negotiate the terms of a mortgage transaction.

- a. Primary mortgage market
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 - d. Foreclosure
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- A

The legal procedure under which property may be sold to satisfy an unpaid promissory note.

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d. It standardizes mortgage loans, thereby attracting investors who traditionally have not

invested in the primary market

C

The Loan Estimate does not allow for any charges to increase at closing.

a. True

b. False

B

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The right of the government to take an individual's land if he or she dies without a will or heirs.

a. Police power

b. Ad valorem

c. Taxation

d. Escheat

e. Condemnation

D

The government's right to tax real estate.

a. Police power

b. Ad valorem

c. Taxation

d. Escheat

e. Condemnation

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C

The right of the government to regulate and control the way that an individual uses his or her land.

- a. Police power
- b. Ad valorem
- c. Taxation
- d. Escheat
- e. Condemnation

A

The action of government seizure of land for the good of the public.

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E

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According to value

- a. Police power
- b. Ad valorem
- c. Taxation
- d. Escheat
- e. Condemnation

B

The government retains the following rights in lands, EXCEPT:

- a. Eminent domain
- b. Allodial
- c. Police Power
- d. Taxation

B

If a landowner sues the government in order to force it to buy his or her land, this is called:

- a. Reverse condemnation
- b. Forward condemnation
- c. Inverse condemnation
- d. Ad valorem

C

There is a _____ right of redemption of homestead property sold at auction in Texas.

- a. One year
- b. Two year
- c. Three year
- d. Four year

B

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The Interstate Land Sales Full Disclosure Act provides for:

- a. The protection of the government from land owners filing suit against eminent domain cases
- b. The protection of developers from homeowners' associations
- c. The reimbursement of individuals whose land has been condemned by the government
- d. The protection of consumers from fraud in the sale or lease of land

D

Under the Interstate Land Sales Full Disclosure Act, developers are required to provide each purchaser in a subdivision or condominium with a Property Report.

- a. True
- b. False

A

Authority for cleanup of hazardous substances under CERCLA is granted to all of the following, EXCEPT:

- a. States' natural resource agencies
- b. Federal natural resource agencies
- c. Homeowners' associations
- d. Native American tribes

C

A broker is not required to advise a sponsored sales agent of the scope of the sales agent's authorized activities under the License Act.

- a. True
- b. False

B

REO stands for real estate owned.

- a. True
- b. False

A

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Auctioneers who call at an auction that includes real estate auction must have a real estate license.

- a. True
- b. False

B

Property managers are only found in commercial real estate.

- a. True
- b. False

B

A short sale is one in which a property is sold by an owner/borrower at a price that is sufficient to pay off the existing mortgage.

- a. True
 - b. False
- B

The CHMS designation is a designation for:

- a. License holders specializing as a residential buyer's agent
 - b. License holders specializing as a residential seller's agent
 - c. Commercial brokers specializing in the sale of industrial properties
 - d. REO property specialists
- B

The ABR designation is especially useful for:

- a. Residential buyer's agents
 - b. Commercial property managers
 - c. Foreclosure specialists
 - d. Industrial property specialists
- A

A specialization can be centered around a specific type of property or a particular type of client.

- a. True
 - b. False
- A

When a license holder is asked to locate an investment property for a potential buyer:

- a. The license holder should go ahead with the transaction because having a real estate license means that he or she is qualified.
- b. The license holder should decline, because the License Act prohibits this type of activity.

- c. The license holder should go ahead with the transaction only if he or she is competent to do so.
- d. None of the above

C

A _____ is one in which a property, with the consent of the lender, is sold by an owner/borrower at a price that is not sufficient to pay off the existing mortgage.

- a. Foreclosure
- b. Deed in lieu of foreclosure
- c. Short Sale
- d. EO

C

A Residential Mortgage Loan Originator must be licensed with:

- a. Texas Department of Savings and Mortgage Lending
- b. Office of Consumer Credit Commissioner
- c. Texas Real Estate Commission
- d. Texas Department of Corrections

A

A sponsoring broker must:

- a. Maintain written policies to ensure the competency of a supervised sales agent
- b. Require that sales agents are adequately trained in the area in which they practice
- c. Must advise a sales agent in writing of the scope of the sales agent's authorized activities
- d. All of the above

D

A return on property when it is sold for a profit.

- a. Leverage
- b. Capital Gain

- c. Real Estate Investment Syndicate
 - d. Appreciation
 - e. Gross Scheduled Income
- B

A method of raising funds for the purchase of real estate.

- a. Leverage
 - b. Capital Gain
 - c. Real Estate Investment Syndicate
 - d. Appreciation
 - e. Gross Scheduled Income
- C

The passive increase in the value of a parcel due to market forces.

- a. Leverage
 - b. Capital Gain
 - c. Real Estate Investment Syndicate
 - d. Appreciation
 - e. Gross Scheduled Income
- D

Potential income of a property in the amount of rent that would be collected in a year.

- a. Leverage
 - b. Capital Gain
 - c. Real Estate Investment Syndicate
 - d. Appreciation
 - e. Gross Scheduled Income
- E

Using borrowed money to make money.

- a. Leverage
- b. Capital Gain

- c. Real Estate Investment Syndicate
- d. Appreciation
- e. Gross Scheduled Income

A

Most investors invest in real estate to satisfy which of the following objective(s)?

- a. Appreciation in the value of properties
- b. Income derived from collecting rents
- c. Investment gain
- d. All of the above

D

Investment in raw land is generally for appreciation only:

- a. True
- b. False

A

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The potential income of a property that is derived from rents collected in a year is called:

- a. Gross Rent Multiplier
- b. Gross Scheduled Income
- c. Great Rental Income
- d. Appreciation Schedule

B

Under current IRS rules, a commercial property is depreciated over a 39-year period.

- a. True
- b. False

A

A capital gain is:

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- a. taxed at a 17% rate
 - b. illegal in TX
 - c. realized when a property is sold
 - d. calculated by adding the adjusted basis to the net sales price
- C

Residential income property is depreciated over a 29-year period.

- a. True
 - b. False
- B

Real estate investment syndicates:

- a. Are a form of ownership
 - b. May be organized as limited or general partnerships
 - c. Are not under the jurisdiction of state and federal laws
 - d. Are very popular today because of favorable state and federal laws
- B

A _____ allows for the indirect investment in mortgages through the sale of securities.

- a. Real Estate Investment Syndicate
 - b. Real Estate Investment Trust
 - c. Real Estate Mortgage Investment Conduit
 - d. None of the above
- C

The two largest issuers of REMICs are Freddie Mac and Fannie Mae.

- a. True
 - b. False
- A

All or part of the rental is based on the gross receipts of the tenant's business.

- a. Percentage rent
 - b. Term
 - c. Estate for years
 - d. Lessor
 - e. Expiration
- A

When a lease agreement comes to the end of the lease period and terminates.

- a. Percentage rent
 - b. Term
 - c. Estate for years
 - d. Lessor
 - e. Expiration
- E

Landlord or owner

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- a. Percentage rent
 - b. Term
 - c. Estate for years
 - d. Lessor
 - e. Expiration
- D

The duration of the agreement.

- a. Percentage rent
 - b. Term
 - c. Estate for years
 - d. Lessor
 - e. Expiration
- B

A lease with definite beginning and ending dates.

- a. Percentage rent
 - b. Term
 - c. Estate for years
 - d. Lessor
 - e. Expiration
- C

A lease for a period of more than one year must be in writing to comply with the Statute of Frauds.

- a. True
 - b. False
- A

A(n) _____ is a lease with a definite beginning date and definite ending date.

- a. Tenancy at sufferance
 - b. Estate for years
 - c. Tenancy at will
 - d. Periodic tenancy
- B

A(n) is a lease of property where the landlord pays charges regularly incurred in ownership, such as taxes, insurance, utilities, and repairs. The tenant pays only rent.

- a. Graduated lease
 - b. Net lease
 - c. Lease and take back
 - d. Gross lease
- D

A _____ is an agreement that conveys the right to use property for a period of time.

- a. Deed
- b. Warranty deed
- c. Lease
- d. Life estate

C

A clause in a lease in which a tenant has the right to match or better any offer a landlord may receive on the property before it is sold to someone else is a:

- a. Sale and Leaseback
- b. Lease-Purchase Agreement
- c. Right of First Refusal
- d. Lease Option

C

The four Leasehold Estates are:

- a. Periodic estate, tenancy at will, tenancy at sufferance, tenancy for years
- b. Estate for years, periodic tenancy, tenancy at sufferance, tenancy at will
- c. Gross lease, net lease, percentage lease, sale and leaseback
- d. Estate for years, periodic tenancy, tenancy at sufferance, statute of frauds

B

An agent is not required to provide the IABS Form to the tenant for a lease term of less than one year and if no sale is anticipated.

- a. True
- b. False

A

If a tenant moves out, while still owing rent, and leaves personal property behind, the landlord must store the possessions for at least one year before disposing of them.

- a. True
- b. False

B

The property manager's employment contract with the owner.

- a. LEED
- b. Preventative maintenance
- c. BOMA
- d. Management agreement
- e. Deferred maintenance

D

Deterioration of a property due to delayed maintenance.

- a. LEED
- b. Preventative maintenance
- c. BOMA
- d. Management agreement
- e. Deferred maintenance

E

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Servicing a property and its equipment in order to prevent mechanical failure and keep property values high.

- a. LEED
- b. Preventative maintenance
- c. BOMA
- d. Management agreement
- e. Deferred maintenance

B

An organization that advocates on the part of building owners and managers.

- a. LEED
- b. Preventative maintenance
- c. BOMA
- d. Management agreement
- e. Deferred maintenance

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C

A building certification program for properties that are "green".

- a. LEED
- b. Preventative maintenance
- c. BOMA
- d. Management agreement
- e. Deferred maintenance

A

The _____ lists all cash that came into and all expenses incurred by a property during the reporting period.

- a. Property management agreement
- b. Bank statement
- c. Cash flow report
- d. Leasing agreement

C

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When a property is not well-maintained, the result is:

- a. Preventive maintenance
- b. Deferred maintenance
- c. Escalation clauses
- d. Assignment and sublet

B

All property managers must be resident on the property which they manage.

- a. True
- b. False

B

Under the USGBC LEED program, buildings are accredited and individuals are certified.

- a. True
- b. False

B

BOMA's major concern is advocacy on the part of:

- a. Building owners and managers
- b. Landlords and tenants
- c. Employment law and managers
- d. None of the above

A

All of the following are considerations when an investor makes a decision to hire a professional management company, EXCEPT:

- a. Knowledge
- b. Tenant Relations
- c. Fair Credit Reporting Act
- d. Cost

C

If the property manager is an agent of the landlord, the management firm should also carry _____.

- a. Liability insurance
- b. Windstorm insurance
- c. Errors and omissions insurance
- d. Both A and C

D

All of the following are examples of outgoing cash incurred by a property each month, EXCEPT:

- a. Rents
- b. Utilities
- c. Trash pickup

d. Maintenance fees

A

The gives the landlord a picture of the financial health of the property and should be prepared on a monthly, quarterly and annual basis.

- a. Operating statement
- b. Management statement
- c. Escalation clauses
- d. None of the above

A

This occurs when an individual acquires title from the rightful owner through hostile, actual, continuous occupation of the land for the statutory period.

- a. Hereditament
- b. Intestate
- c. Adverse possession
- d. Beneficiary
- e. Legacy

C

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Money that is inherited.

- a. Hereditament
- b. Intestate
- c. Adverse possession
- d. Beneficiary
- e. Legacy

E

An individual who dies without leaving a valid will.

- a. Hereditament
- b. Intestate
- c. Adverse possession
- d. Beneficiary

e. Legacy

B

Any property, whether real or personal, that is capable of being inherited.

a. Hereditament

b. Intestate

c. Adverse possession

d. Beneficiary

e. Legacy

A

One who receives property through a will.

a. Hereditament

b. Intestate

c. Adverse possession

d. Beneficiary

e. Legacy

D

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Types of involuntary alienation include all of the following, EXCEPT:

a. Bankruptcy

b. Devise

c. Condemnation

d. Foreclosure

B

Title is conveyed when the deed is signed and _____.

a. Witnessed

b. Delivered

c. Recorded

d. Notarized

B

The most common type of deed used in Texas is the _____.

- a. Bargain and Sale Deed
- b. Quitclaim Deed
- c. General Warranty Deed
- d. Special Warranty Deed

C

In a deed, consideration can be love and affection.

- a. True
- b. False

A

Intestate means that:

- a. An individual died leaving a valid will
- b. An individual left a deathbed will
- c. The property reverts to the government if an individual leaves no will and has no heirs
- d. An individual died without a will

D

A nuncupative will is:

- a. A written will, witnessed by an attorney
- b. Legal only for personal property, not real property
- c. Not legal in Texas
- d. Not vulnerable to being contested

B

The covenant of quiet enjoyment promises the grantee uninterrupted use of the property.

- a. True
- b. False

A

A restriction in a deed is a limitation placed on the new owner by the _____.

- a. Grantee
- b. Grantor
- c. Court
- d. Agent

B

Title is the evidence of a person's right in real estate.

- a. True
- b. False

A

The Loan Estimate should always match the Closing Disclosure exactly, and no charges should increase or decrease.

- a. True
- b. False

B

The Services You Can Shop For section of the Loan Estimate form includes items such as appraisal fees.

- a. True
- b. False

A

Payments in excess of the reasonable value of goods provided and services rendered are considered kickbacks.

- a. True
- b. False

A

A lien cannot be filed against property because a previous owner failed to pay property owners' association dues.

- a. True
 - b. False
- B

The _____ combines the elements of the Good Faith Estimate form and the initial Truth In Lending disclosure.

- a. Kickbacks
- b. Mortgage servicing
- c. at or prior
- d. controlled business arrangement
- e. Loan Estimate

E

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The disclosures related to the transfer of _____ are required for first mortgage liens of federally related mortgage loans, including all refinancing transactions of such loans.

- a. Kickbacks
- b. Mortgage servicing
- c. at or prior
- d. controlled business arrangement
- e. Loan Estimate

B

Payments in excess of the reasonable value of goods provided or services rendered are considered _____.

- a. Kickbacks
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e. Loan Estimate

A

If a lender has either an affiliate relationship or a direct ownership interest of more than one percent in a provider of settlement services and they directly refer business to the provider it is per Regulation X a _____.

a. Kickbacks

b. Mortgage servicing

c. at or prior

d. controlled business arrangement

e. Loan Estimate

D

The referring party must give the consumer a CBA disclosure _____ to the time of referral.

a. Kickbacks

b. Mortgage servicing

c. at or prior

d. controlled business arrangement

e. Loan Estimate

C

A property was listed for \$159,500 and sold for \$157,000. The listing agent had negotiated a 6% commission on the sale. What commission was paid to the broker at the closing?

\$9,420

If the commission rate charged was 7% and the commission earned was \$11,410, at what price did the property sell?

\$163,000

Sales agent, John Simmons, earned \$5458.75 as his half of a 5.5% commission. What price did the property sell for?

\$198,500

Mary, a sales agent for ABC Realty, earns 40% of her broker's share of a commission on any property she sells. If Mary recently sold a property at the price of \$224,500 where the listing agent had negotiated a 6.5% commission to be split equally between the listing and selling broker, how much would Mary make?
\$2,918.50

Mary wishes to net \$50,000 after selling her property. She has a mortgage balance of \$120,310 and must pay \$5,000 in repairs and other closing costs. She has agreed to pay the broker 6%. What is the lowest price she can accept for her property?
\$186,500

A seller wants to net \$25,000 after paying closing costs of \$3,200 and a loan balance of \$66,800. He has agreed to pay a 5% commission on the sale. At what price should he sell his property?
\$100,000

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A property is assessed at \$182,000 for property tax purposes. If the rate is \$2.00/100, what yearly amount is owed?
\$3,640

Mary purchased a property 6 years ago for \$120,000. It has depreciated 2% a year. How much has it depreciated?
\$14,400

Bob purchased a property 8 years ago for \$365,000. It has been appreciating at 3% per year. How much has the property appreciated?
\$87,600

A property has been appreciating at 5% a year for 4 years. The original purchase price was \$269,500. What is it worth today?
\$323,400

A property has been depreciating at 3% a year for 6 years. Today it is worth \$144,238.00. What was the original cost of the property?
\$175,900

A loan balance of \$162,500 at 6% interest was recorded on the MIL (Mortgage's Information Letter) on June 1, 2008. When the July 1 monthly payment of \$1199.11 has been made, the new loan balance will be what amount?
\$162,113.39

If Mary paid \$300 in interest only on the first month's loan payment, and the interest rate on her loan was 9%, how much did she borrow?
\$40,000

Mark and Ann have a mortgage loan balance of \$126,385.20. Their monthly loan payment is \$908.70. The interest rate on their loan is 7.5%. How much interest will they owe on their current payment?
\$789.91

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What part of an acre is a lot 150 feet x 100 feet?
.34

If a 4-story building has dimensions of 100' x 125' and construction costs are \$55.00 per square foot, what is the cost to build this building?
\$2,750,000

John owns 9 acres of land. He wants to subdivide it into half acre lots. He must leave room for a road 1980' by 33'. How many lots will he have?
15

How many cubic feet of storage space will there be in a warehouse measuring 80' x 60' with 20 foot ceilings and a 10' x 10' office space (to the ceiling)?
94,000

A borrower has to pay 2 1/2 points at closing. The amount of principal borrowed is \$155,000.00 on a sales price of \$198,000.00. What amount will be charged for points?
\$3,875

A family has \$150,000 gross income per year. The Fannie Mae guideline is 28%/36% qualifying ratios. If they have a PITI house payment of \$2500 per month, and other long term debts of \$1800 per month, will they get loan approval on this new home they are applying for?

- a. Yes
 - b. No
- A

The sale of a \$292,500 home gave the listing broker \$10,237.50. The selling broker received the same amount of commission. What was the rate of the commission charged?

- a. 5.3%
 - b. 9.25%
 - c. 7.3%
 - d. 7%
- D

A loan balance of \$135,500 was reported to the title company on January 1, 2008. The interest rate is 8.25% on the loan. For a closing on January 23, 2008, how much interest will the seller owe at the closing on this home he is selling?

- a. \$704.41
 - b. \$11,178
 - c. \$2,179.30
 - d. \$4,234.51
- A

The market value of a property is \$425,000. The appraised value is 95% of market value. What is the appraised value of the property?

- a. \$403,750
- b. \$21,250
- c. \$416,350
- d. \$395,675

A

A property is valued at \$1,500,000. The rate of annual return the investor desires is 12% per year. What must the net monthly income be on this property to accomplish the goal of the investor?

- a. \$180,000
- b. \$15,000
- c. \$12,000
- d. \$360,000

B

A property has been appreciating at 7% per year for 3 years. The original purchase price was \$375,000. What is it worth today?

- a. \$453,750
- b. \$401,250
- c. \$348,750
- d. \$427,500

A

A field measures 800' x 725'. A developer wants to build houses on this acreage. If each lot must be at least 120' x 80', how many lots does the developer have?

- a. 96 lots
- b. 13 lots
- c. 60 lots
- d. 120 lots

C

Mary has listed and sold her neighbor's home for \$168,000. According to her listing agreement the commission on the sale is 6.5%. Mary receives 60% of her broker's commission. What is her commission on the transaction?

\$6,552

The quarterly interest payment on an 8% loan is \$400. What is the amount of the loan?

\$20,000

A seller wishes to net \$48,000 on the sale of her property after paying closing costs of \$8,000 and a commission of 7%. What is the lowest price at which she could sell her property?

\$60,215

John is appraising a unique property. The land has been valued at \$75,000. The building replacement has been determined to be \$45 per square foot. The building is 45' x 75'. Depreciation for physical wear and tear is \$5,000. Economic obsolescence is \$3,000 and functional obsolescence is \$2,000. What is the value of the property using the cost approach?

\$216,875

An office building leases space for \$8,000 per month. Annual expenses for the property are \$25,000. The occupancy rate is 98%. If the investor wishes a rate of return of 10%, what is the value of the building?

\$690,800

If a property originally cost \$88,000 and has been depreciating at 1% a year for 6 years, what is it worth today? How much has it depreciated?

\$82,720, \$5,280

Mary bought a house 8 years ago. Today it is worth \$148,000. It has been appreciating 6% per year. What was the original cost?

\$100,000

A lot has dimensions of 200' x 250'. There is a right triangular easement in one corner with a base of 6' and height of 8'. How many usable square feet does the lot owner have?

49,976 SF

If a building has dimensions of 40' x 60' and is five stories high, what would the construction cost be if replacement cost is \$50 per sq. foot?

\$600,000

You sold 10 acres of land at \$.97 per square foot. You earned a 10% commission on the sale. What was your commission?

\$42,253.20

A piece of land has been valued at \$150,000. Building replacement on a three story office building 100' x 85' has been estimated to be \$65.00 per square foot. Depreciation has been calculated at \$97,500. Using the cost approach, what is the estimated value of the property?

\$1,710,000

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If land is selling for \$45,000 per acre, and the lot size is 250' x 300', building replacement cost is \$225,000 and depreciation is \$27,479.34, what is the value of the property using the cost approach?

\$275,000

A property has gross rents of \$90,000. The annual expenses are \$24,000. If the investor requires a return of 12%, what is the maximum he would be willing to pay for this property?

\$550,000

An appraiser has determined that the GRM for a residential neighborhood is 150. If a house in the neighborhood is rented for \$1800 per month, what is the value of the house?

\$270,000

If Mr. Lott makes \$80,000 per year and Mrs. Lott makes \$75,000 per year and the area lenders are qualifying at 28%, how much monthly (PITI) payment can they qualify for?

\$3,616.67

What is the name of the sworn statement in which the seller assures the title company (and the buyer) that there are no liens, unpaid bills for repairs or improvements, or undisclosed defects in the title?
affidavits as to debts and liens

Tax incentives that cover the cost of energy-efficient improvements, EEMs, and Energy Star-qualified homes are examples of:
green initiatives

Which of the following borrowers would be MOST likely to use a graduated-payment mortgage?
young borrower starting their career, anticipating an income raise in the next several years

Which type of loan is exempt from RESPA?
loans on vacant land

Which TILA regulation requires a disclosure statement where lenders must make certain loan facts known to borrowers?
Regulation Z

The most common formal organization of a syndicate is that of a(n):
LLC

Which of the following BEST describes why RESPA was passed?
to ensure meaningful disclosure of closing costs in a real estate transaction

Property manager William hires an HVAC specialist to repair a broken air conditioner in an apartment.
This is an example of:

corrective maintenance

Which of the following is TRUE?

A Texas real estate license does NOT allow agents and brokers to act as appraisers or home mortgage originators

A handwritten will created solely by the maker (and not witnessed) is called a: holographic will

Ashley just bought a house. To purchase the house, she got a loan for \$400,000 with 3 discount points. How much did she pay for the discount points?

One discount point costs 1% of the loan amount; therefore, one discount point cost \$4,000 in Ashley's case. Ashley paid \$12,000 for 3 discount points.

What is the difference between actual and constructive notice?

Constructive notice is the assumption that a diligent individual can search the public record to gain knowledge; actual notice is direct or first-hand knowledge.

The investment strategy of taking on debt in order to realize a greater return is known as:

Leverage

What is an easement by prescription?

An easement by prescription is granted after the dominant estate has used the property in a hostile, continuous, and open manner for a statutorily prescribed number of years. This type of easement is also called a prescriptive easement.

A new \$350,000 home is being built in a neighborhood of mostly \$200,000 homes. Although the home has many updates and is in better condition than the surrounding houses, its value is significantly less than the price.

Which value principle of appraisal explains this?

principle of regression, which states that a subject property situated in the midst of lower-value homes will experience a downward pull on its own value.

What is investment gain?

Investment gain has to do with the increase in a property's value due to active and purposeful development of a property.

How many feet are in a mile?

5,280 feet

What is a quitclaim deed?

A quitclaim deed provides the grantee with the least protection of any deed, while putting the least liability on the grantor. It carries no covenants nor warranties and conveys only such interest that the grantor may have when the deed is delivered.

Alexis owns a fried chicken restaurant, Tender Times. When her area is rezoned from commercial to residential, Alexis is allowed to continue operating Tender Times in the same location.

What is this an example of?

While the use of the property originally conformed to zoning, that was no longer the case once the rezoning took place. So the present (commercial) use would be considered a nonconforming use, which is where a once-permissible-but-no-longer-permitted use is grandfathered in.

Who is the representative of the title insurance company who reviews the title insurance commitment, prepares the Closing Disclosure, and conducts the closing?

closing agent

Which of these scenarios would be most likely to result in the granting of a conditional-use permit?

A person wanting to build or establish a bed & breakfast in an area zoned for residential use could seek a conditional-use permit from the zoning board as it could be judged as marginally out of compliance with existing zoning.

When does the Interstate Land Sales Full Disclosure Act require the seller to give the report to a lot purchaser?

before a purchase agreement is signed.

Elmer wants to install lowered light switches in his apartment so that he can reach them from his wheelchair. The landlord agrees but says that Elmer must install them at his own expense. Elmer argues that the landlord must pay for them.

Who is right?

The landlord, has every right to make Elmer pay for the modifications.

What is a habendum clause?

A habendum clause defines or limits the ownership interest of the grantee.

Emanuel wants to purchase a resort property on the beach, but he needs to make some renter revenue to help pay for both his primary residence and his resort property.

What factor should Emanuel NOT be prioritizing?

decorating the resort property with personal, familial items to make his family feel welcome

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43,560 sq. ft. could also be expressed as:

one acre

Using the cost approach formula, find a property's value using the following information:

The subject property is 20 years old and has 30 remaining years of economic life.

The cost of reproduction of the subject property is \$375,000.

The subject property's land value is \$140,625.

Here are the steps to solving this problem, using the cost approach formula

(Reproduction cost - Depreciation + Land value = Property value): Calculate

depreciation percentage: $20 \div (20+30) = 0.4$. Calculate depreciation amount:

$\$375,000 \times 0.4 = \$150,000$. Calculate property value: Property reproduction cost

$(\$375,000) - \text{Depreciation amount } (\$150,000) + \text{Land value } (\$140,625) =$

$\$365,625$.

Nara moved out of her apartment over a month ago, but hasn't received her security deposit back.

Which of the following would be a LEGAL reason that her deposit had not been returned?

A landlord is not obligated to return the security deposit if the tenant has not provided a forwarding address.

Which would NOT be accounted for as an operating expense?

Pent rent is paid by the tenant and would be considered "incoming cash."

Which of the following has a long lease term and is often used in the development of commercial property?

Ground lease

The Interstate Land Sales Full Disclosure Act is applicable to developers involved in the interstate sale or leasing of:

100 or more lots

Tyrone signed a lease on a residential property. His lease lasts nine months. Which of the following is TRUE?

Lease agreements for less than one year are NOT required to be in writing.

What does the acronym REIT stand for?

A real estate investment trust (REIT) is a registered company that owns and operates commercial real estate.

Grayson is worried that, because she is an elderly person, she will not get pre-approval on her loan.

Analyze Grayson's worry.

Pre-approval follows pre-qualification and is a more thorough examination of the borrower's financial status (but ONLY their financial status). Grayson shouldn't worry that her age will work against her.

Reconciliation for an appraiser involves:

combine the data from each of the approaches. This is called a reconciliation.

Jeremiah is looking to sell his home, so he researches property market values in his area for properties that are similar to his own home. These market values typically reflect:

Market value is the price for which a property will theoretically sell under typical market conditions.

The state needs to acquire someone's private land in order to build a six-lane highway. The government MUST:

The government MUST provide just compensation in exchange for the property.

Alec puts his property up for sale of his own free will. He goes through with the sale, and an opera singer now owns his property. This transaction is an example of:

Voluntary alienation is the method by which property is transferred from the current owner to another party either by sale or gift.

A tenant operates a small retail store in a shopping center. The landlord pays all operating expenses; the tenant pays a base rent of \$1,500 per month, plus 15% of monthly gross profits over \$15,000.

The tenant has a:
percentage lease

What's the term that refers to the permission granted that allows a property to deviate from a specific provision of a zoning ordinance, and is usually based on features such as building height, lot square footage, or setback requirements?
variance

A property is under contract for \$175,000 with a 10% down payment. Find the cost of points for 2.5 discount points and a 1-point origination fee. (Hint: Don't forget that the down payment will impact the amount of the loan principal.)
To find the cost of the points, we need to find the loan principal, which is \$175,000 minus the down payment amount. Find the down payment amount by multiplying the purchase price by 10%: $0.1 \times \$175,000 = \$17,500$. Then, subtract the down payment amount from the purchase price: $\$175,000 - \$17,500 =$

\$157,500. Knowing that, we can find the cost of the points: $0.035 \times \$157,500 = \$5,512.50$.

What is the cost approach?

estimating the value of a property by determining the current cost of reconstructing the property with improvements, minus the cost of depreciation, plus the value of the land itself.

Karissa is buying a gulf front property and deposits the necessary funds to complete the sale into escrow. The seller's title has not yet been declared acceptable, and Karissa is nervous she could lose her money. Evaluate Karissa's fear.

When a buyer closes in escrow, money won't be paid to the seller until the seller's title is acceptable. The seller is assured of getting the purchase price because the buyer's check must clear before title passes. Neither party needs to be present when title is passed.

In the typical real estate transaction, the appraiser will be chosen by whom?
lender

John is moving into a privately owned apartment complex and asks the landlord to accommodate his wheelchair. John says he needs concrete ramps to be installed around the property. The landlord says he can't afford to install ramps but is worried that he is discriminating.

What is TRUE?

There is nothing in any applicable laws that support this idea. Although the landlord doesn't legally have to install the ramps because they are cost-prohibitive, John can install them at his own expense.

Expenses that are owed by the seller, but will later be paid by the buyer, are considered:

Accrued items

A tenant has recently signed a lease for a new commercial property. According to the lease terms, the tenant pays a monthly rent, and the landlord covers maintenance and all other property expenses.

This lease is a:
gross lease

What entity consists of 11 district banks that are regulated by the Federal Housing Finance Agency?

Federal Home Loan Bank (FHLB) system consists of 11 district banks.

With amortized loans, the borrower is:
the borrower is paying interest and principal with each payment until the loan is paid off.

Kayla's neighbor has had a shed on her property for 11 years. Kayla ends up losing that portion of her land to her neighbor because of adverse possession. Which of the following is TRUE?

This is an example of involuntary alienation

What are tranches?

Tranche comes from the French word for "slice" or "portion." When mortgage-backed securities are sold to investors at different risk levels and classes, those classes are known as tranches.

A developer plans to build an apartment building on a lot. The lot is 525,000 sq. ft. City regulations dictate that there can be density no greater than 20 occupants per acre. Approximately how many occupants can this lot house?

The lot can house approximately 241 occupants. $525,000 \text{ sq. ft.} \div 43,560 = 12.052$ acres $12.052 \text{ acres} \times 20 = 241$ (rounded)

What is a ground lease?

lease of bare, undeveloped land

What government agency allows single-family properties to be depreciated over the course of 27.5 years?

The Internal Revenue Service

What is meant by preventative maintenance?

periodic, routine inspections to catch minor issues before they worsen and to keep equipment and property in good working order

Lulu lives in Aceable County, which has assessed her house to be worth around \$250,000. Aceable County's property tax rate is 2%. How much will Lulu owe in taxes by the end of the year?

Lulu will owe \$5,000 in taxes by the end of the year. $\$250,000 \times 0.02 = \$5,000$

Which of these is a point of differentiation between Ginnie Mae and Fannie Mae, Freddie Mac, and Farmer Mac?

Unlike the others, Ginnie Mae is NOT a private government-sponsored enterprise, but rather a wholly-owned government corporation.

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Anne leases a property that is subject to the rules and restrictive covenants of an HOA that prohibit tenants from parking in the street. Anne parks in the street, anyway.

Anne's landlord has the right to charge her for these HOA fees and prohibit her from parking in the street because:

Standard lease agreements used in the real estate industry address use and occupancy. If the property is subject to the rules or restrictive covenants of an HOA, the tenant would be required to observe them. Any violations paid by the landlord would be reimbursable by the tenant.

Jayden researches a property he's interested in buying. He uses the assessed value for all tax calculations, market comparisons, notes, etc., because assessed value is the same as market value - why complicate things by using two values? Evaluate if Jayden was correct in doing this and why/why not.

There is no causal relationship between the two values. They are determined by looking at different factors, and while they may generally be close to each other, each has no direct bearing on the other

The Texas Law of Descent and Distribution applies to real estate located in Texas and owned as separate property by a deceased owner who died: intestate (without a will).

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