

Texas Principles Of Real Estate II Final Exam: Questions & Answers: Latest Updated

1. The _____ is the most active in the regulation of real estate licensees.

d) state government

2. Which of the following is necessary for a deed of conveyance to be valid?

b) The deed must be in writing

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3. The primary distinction between the legal concepts of real estate and real property is that

- a) real property includes ownership of a bundle of rights.

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4. An applicant for a salesperson license must

c) have a finger printing and background check prior to receiving a license.

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5. TRELA makes provisions for

c) a prerequisite of a minimum of 15 classroom hours counted toward license renewal every two years.

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6. A(n) _____ is a freehold estate that is limited to the duration of the life of the owner.

b) life estate

7. What distinguishes a lien from other types of
encumbrance?

a) It involves a monetary claim against the value of
a property.

8. What type of conventional life estate ends with the death of the life estate owner?

b) Ordinary life estate

9. When speaking of real estate market dynamics, the amount of available properties that becomes occupied over a period of time is called
b) absorption.

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10. What is the primary danger of allowing an encroachment?

c) Over time, the encroachment may become an easement by prescription that damages the property's market value.

11. What statement is TRUE of payment that is made from the real estate recovery fund on account of a licensee's acts?

- d) The license is suspended immediately, but will be reissued upon reimbursement of the fund, with interest.

12. A salesperson listed a home and then transferred his license to another broker. Which of the following is true?

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- d) The listing will stay with the original broker.

13. A licensee is required to keep the Commission updated with

- a) her current email address.

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14. When an owner leases her property, she temporarily relinquishes the right to

c) occupy the property.

15. Which education requirement can a person leave out when applying for a salesperson license?

a) Evidence of a degree in some form of postsecondary education.

16. Which of the following is an expense which would be listed on the HUD-1 Uniform Settlement Statement?

b) Title insurance fees

17. Listing, marketing, facilitating transactions and managing information summarizes the critical skills in which of the following?

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d) Real estate brokerage

18. Which of the following happens when a leased property is sold?

- a) The buyer acquires title subject to the lease.

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19. Which of the following is a valid distinction between a corporation and a proprietorship?

a) A corporation has perpetual existence; a proprietorship terminates upon the owner's death.

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20. What type of property is abstract, having no physical existence in itself, other than as evidence of one's ownership interest?

a) Intangible

21. In an economic system, supply is defined as
b) the quantity of a product or service available for
sale, lease, or trade at any given time.

22. Which is NOT included in the ownership bundle of rights?

d) Taxation

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23. Which of the following items are paid in arrears?

c) Taxes and interest

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24. Which of the following laws or rulings extended discrimination to include gender, handicapped status, and family status?

- c) The Fair Housing Amendments Act of 1988.

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25. What type of seller financing allows the seller to receive a junior mortgage from the buyer to use to make the payments on the original first mortgage?

b) Wraparound mortgage

26. All of the following are ways of specializing in the real estate brokerage business except?

b) By area

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27. Who are the essential parties involved in an estate in trust?

d) Trustor, trustee, and beneficiary.

28. The purpose of a covenant clause in a deed of
conveyance is to

a) state the grantor's assurance or warrant to the grantee that a certain condition or fact concerning the property is true.

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29. The most commonly used deed is the
a) general warranty deed.

30. Who owns the property in a time-share estate?

b) The property is owned by tenants in common or
by a freehold owner who leases on a time-share
basis.

31. A broker has her license suspended for violating state license law. In such a case, the licenses of her three salespeople are

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b) inactive.

32. A property owner is precluded by deed restriction from developing a thirty foot boat dock. The limitation prompts the owner to sell to another party. The new owner

b) takes title subject to the same restriction.

33. In the state of Texas, what circumstances would restrict the government from using eminent domain?

b) If the result of the property being taken will confer a private benefit on a particular private party.

34. A county or municipal authority usually grants a certificate of occupancy for new construction only after

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c) the construction complies with building codes.

35. If a parcel does not have a lot and block number and is too irregular to be described as a fraction of a section, the legal description

b) will include a metes and bounds description.

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36. How many acres are there in the S 1/2 of the NW 1/4 of Section 3?

c) 80 acres

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37. If the monthly rent of a property is \$3,000, and the gross rent multiplier (GRM) is 80, what is the value of the property?

- b) \$240,000

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38. The principal shortcoming of the gross rent multiplier approach to estimating value is that
a) numerous expenses are not taken into account.

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39. If net income on a property is \$20,000 and the cap rate is 5%, the value of the property using the income capitalization method is

- b) \$400,000.00

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40. What calculation is used to figure a property's ROI (return on investment)?

c) Net operating income divided by price

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41. The steps in the income capitalization approach are

c) estimate net income, and apply a capitalization rate to it.

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42. An appraiser would use which approach to determine the value of an apartment building?

c) Income capitalization approach

43. The roof of a property cost \$10,000. The economic life of the roof is 20 years. Assuming the straight- line method of depreciation, what is the depreciated value of the roof after 3 years?

- d) \$1,500

44. A tax certificate

- b) entitles its holder to apply for a tax deed after a certain period.

45. A unique characteristic of a special assessment tax is that

- a) it only applies to properties which will benefit from the public improvement.

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46. A local government authority may establish a _____ tax district which is designated for a specific benefit or service and expires once the cost of the project has been paid for.

- a) special

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47. A millage rate is derived by

- a) dividing the tax requirement by the tax base.

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48. The approval process for development of
multiple properties in an area includes submission
of

b) a plat of subdivision.

49. A datum is a reference point used for legal
descriptions of

b) the standard rectangular survey description.

50. The legal description of a tract of land in a subdivision that has been recorded is usually with

a) the lot and block number and unit number, if any.

51. In the state of Texas, a homestead is defined as
b) a parcel of real property containing the owner's
family home.

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52. The principle which holds that there is,
theoretically, a single use for a property that

produces the greatest income and return is known as

b) highest and best use.

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53. Which of the following is true of a loan with negative amortization?

b) Payments are not sufficient to retire the loan.

54. A builder is required to secure a loan with
mortgages on three properties. This is an example
of

b) a blanket mortgage loan.

55. If a loan has _____, the loan balance increases over the term of the loan.

a) negative amortization

56. A graduated payment loan is a mortgage loan where

c) the loan payments gradually increase.

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57. License regulators, empowered by state law to oversee brokerage practices, may

a) take punitive actions against fraud or misrepresentation.

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58. The principal role of the Veteran's Administration in the mortgage lending market is to

a) guarantee loans made by approved lenders.

59. Which of the following phrases could a licensee use to advertise without violating Fair Housing laws?

b) "No Section 8"

60. The taxes for the year 2011 were \$600.00, and were to be paid in arrears. The closing took place on June 15, 2011. Using a calendar year with the seller paying for closing day, how much was the tax proration, and how did it appear on a full settlement statement?

c) Debit the buyer \$272.88 and credit the seller the same amount.

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61. A house sold for \$165,000, and the total commission received by the broker was \$12,375.00. What was the rate of commission?

b) 7.50%

62. Under the Fair Housing Act, discrimination
based on which of the following is prohibited?

d) None of the above.

63. Cash flow is a measure of how much pre-tax or after-tax cash an investment property generates. To derive cash flow it is therefore necessary to exclude

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a) cost recovery expense.

64. Capital gain tax is figured by multiplying one's tax bracket times

b) the difference between net sale proceeds and adjusted basis.

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65. A distinguishing feature of a deed condition is that

- a) it gives the grantor the right to re-possess the property if the grantee violates the condition.

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66. Testing for fair housing compliance

c) Both A and B.

67. In mortgage lending, which action is
acceptable:

c) Refusing to make a mortgage loan because of the
applicant's credit score.

68. Real estate taxes can be imposed by taxing entities at which level of government?

d) All of the above.

69. What taxes are based on the assessed value of property?

b) Ad valorem.

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70. A buydown is a financing arrangement where

a) the lender lowers the interest rate on a loan in exchange for a prepayment of principal.

Amortization

The liquidation of a financial obligation on an **learnexams** installment basis; also, recovery over a period of cost or value.

Area

Two dimensional surface of an object

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Interest and how its calculated

Total loan value * interest rate = Total Interest due

Profit and Loss

Profit - An amount over purchase price an item is sold for.

Loss - An amount under purchase price an item is sold for.

Percentage

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Per 100; out of 100. a rate, number, or amount in each hundred. Any proportion or share in relation to a whole.

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Calendar Year

a period of 365 days starting from any date.

Statutory Year

A statutory year (also known as a banker's years) year is composed of twelve months each with thirty (30) days for a total of 360 days.

Volume

the amount of space that a substance or object occupies, or that is enclosed within a container, especially when great.

Texas Security procedures regarding calculators prior to State Real Estate Exam

- 1) Examinations are closed book; only 4 function calculator allowed
- 2) Candidates are not allowed to bring any reference material with them

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3) Candidates must bring a non-programmable calculator which is silent, battery-operated, and does not have paper tape printing capabilities and does not have a keyboard containing the alphabet

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Texas Security procedures before or during State Examination

- 1) No conversing or other form(s) of communication among candidates is permitted once you have entered the examination area
- 2) Children, pagers, and cellphones are NOT allowed in the examination center

3) No personal items are to enter the testing center; personal items should be locked in the trunk of your car. only non-programmable calculator which are silent, battery operated and does not have paper tape printing capabilities and have not have a keyboard containing the alphabet are allowed.

4) No smoking, eating, or drinking at the examination site, you may not exit the building during the exam, copying or communicating examination content is a violation of state law and may result in disqualification.

Mixed number

a number consisting of an integer and a proper fraction.

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T-Bar Method for Percentages

Three formulas most often used to calculate percentage

1) total * rate = part

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2) part/rate = total

3) part/total = rate

Used for percentage or interest calculations

Balloon payment [learnexams](https://www.learnexams.com)
a repayment of the outstanding principal sum
made at the end of a loan period, interest only
having been paid hitherto.

Mortgage factor Table

An easy looking method to see how much an **learnexams** individual would owe on a per \$1000 basis. Broken down into one or more terms.

Loan Point or Loan Discount Point

Used by lenders to increase the lender's yield on the loan without increasing the annual interest rate. Mortgage points, also known as discount points, are fees paid directly to the lender at closing in exchange for a reduced interest rate. This

is also called "buying down the rate," which can lower your monthly mortgage payments.

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1 point origination fee

1% of the loan amount; same across the industry

Prorating

allocate, distribute, or assess pro rata.

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What did an owner originally pay for his home if he sold it for \$200,000, which yielded a 10% profit...?

Take final sales price/ $1+rate/100$ = what they originally paid for the home

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Frontage

the facade of a building. a strip or extent of land abutting on a street or water.

Identify the four classifications of appraisers, and accurately rank the classifications in order of experience.

1) Appraiser Trainee 2) State License Real Estate Appraiser 3) Certified Residential Appraiser 4) Certified General Real Estate Appraiser

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Explain the five steps in the appraisal process, and accurately list the steps in the correct order.

1) State the problem - value to be estimated; purpose for the appraisal 2) list the data needed and the sources for that data; comparative and specific; universe of data 3) gather, record, and verify data; specific **learnexams** 4) determine highest and best use of the property 5) estimate a value by each of the appraisal methods 6) Reconciliation - single sole value to represent the opinion value for

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the property usually followed up by a narrative which describes the property and why it is priced at said price.

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Discuss the differences between insured value, book value, assessed value, and market value, and provide at least one example of each.

Insured Value - The cost of replacing a structure completely destroyed by an insured hazard.

Book Value - The current value for accounting purposes of an asset expressed as original cost plus capital additions minus accumulated depreciation.

Assessed Value - A valuation placed upon a piece of property by a public authority as a basis for levying taxes on the property.

Market Value - The highest price in terms of money which a property will bring in competitive and open market and under all conditions required for a fair sale, i.e., the buyer and seller acting prudently, knowledgeably and neither affected by undue pressures.

Summarize the three appraisal methods for determining the value of a property, and list one property type per method.

- 1) Sales Comparison approach - residential 1-4 property
- 2) Cost approach - specialty properties;

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schools, places of worship, new properties 3)

Income approach - commercial properties; office buildings, multi-family, shopping centers

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Appraiser

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One qualified by education, training and experience who is hired to estimate the value of real and personal property based on experience, judgment, facts, and use of formal appraisal processes.

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Market Value

The highest price in terms of money which a property will bring in competitive and open market and under all conditions required for a fair sale, i.e., the buyer and seller acting prudently, knowledgeably and [learnexams](https://www.learnexams.com) neither affected by undue pressures.

Value

Present worth of future benefits arising out of ownership to typical users/investors. DUST - Demand, Utility, Scarcity and Transferability

Appraisal

The act or developing an opinion of value..Final opinion of value, is the result of a professional evaluation of civil and professional

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Capitalization Rate

The capitalization rate, often referred to as the "cap rate", is a fundamental concept used in the world of commercial real estate. It is the rate of return on a real estate investment property based on the income that the property is expected to generate.

This metric is used to estimate the investor's potential return on his or her investment.

Sales Comparison Approach (Market Data Approach)

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One of the three methods in the appraisal process. A means of comparing similar type properties, which have recently sold, to the subject property.

Commonly used in comparing residential properties. Properties must be Close, Comparable, and Current.to property in consideration.

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Cost Approach

One of the three methods in the appraisal process. An analysis in which a value estimate of a property is derived by estimating the replacement cost of the improvements, deducting therefrom the estimated accrued depreciation, then adding the market value of the land.

Income Approach

One of the three methods of the appraisal process generally applied to income producing property, and involves a three-step process

1) Find net annual income

- 2) Set an appropriate capitalization rate or "present worth" factor
- 3) Capitalize the income dividing the net income by the capitalization rate

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Depreciation

Loss of value of property brought about by age, physical deterioration or functional or economic obsolescence.

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Economic Life

The period over which a property will yield a return on the investment over and above the economic or ground rent due to land.

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External Obsolescence

A loss in value due to factors away from the subject property but adversely affecting the value of the subject property.

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Functional Obsolescence

A loss of value due to adverse factors from within the structure which affect the utility of the structure, value and marketability.

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Replacement costs

The cost to replace a structure with one having utility equivalent to that being appraised, but constructed with modern materials and according to current standards, design and layout.

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Reproduction costs

The cost of replacing the subject improvement with one that is the exact replica, having the same quality of workmanship, design and layout, or cost to duplicate an asset.

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Principles of Substitution

Affirms that the maximum value of a property tends to be set by the cost of acquiring an equally desirable and value substitute property, assuming no costly delay is encountered in making the substitution.

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Gross Income Multiplier

A gross income multiplier (GIM) is a rough measure of the value of an investment property that is obtained by dividing the property's sale price by its gross annual rental **learnexams** income.

Gross Rent Multiplier

A number which, times the gross income of a property, produces an estimate of value of the property.

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Highest and best use

The most probable use to which a property is suited that results in its highest value or highest returns to the land.

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Physical detriotation

Impairment of condition. Loss in value brought about by wear and tear, disintegration, use and actions of the elements; termed curable and incurable.

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4 keys in determining value

DUST - Effective demand, utility, scarcity, transferability

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Effective demand

The desire for possession or ownership backed by the financial means to satisfy that need.

Utility

The capacity to satisfy human needs and desires.
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scaracity

The supply of property in relation to effective demand. a finite supply

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transferability

The relative ease with which ownership rights are transferred from one person to another.

Supply and demand

The principle that states the value of a property will increase if the supply decreases and the demand will either increase or remains constant, and visa versa.

Principle of Conformity

Holds that the maximum value is realized when a reasonable degree of homogeneity of improvements is present.

Principle of Externalities

The influences outside of a property can have a positive or negative affect on its value.

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Principle of Anticipation

Affirms that value is created by anticipated benefits to be derived in the future.

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Increasing and diminishing returns

Improvements to land and structures reach a point of its most potential which no longer have a

positive effect on its value. Increasing returns are positive until it reaches a point where additional improvements don't increase the value of a property. Once improvements reach a certain point or peak then we have the law of diminishing returns.

Plot-age value

the increased utility of value resulting from combining or consolidating two or more adjacent lots into one larger lot

Principle of Contribution

A component part of a property is valued in proportion to its contribution to the value of the whole. Holds that maximum values are achieved when the improvements on a site produce the highest (net) return, commensurate with the investment.

Principle of Competition

Holds that profits tend to breed competition and
excess profits tend to breed ruinous completion.

Principle of Change

Holds that it is the future, not the past, which is of prime importance in estimating value. Change is largely the result of cause and effect.

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Reconciliation

taking values indicated by the various approaches used and reconciliating into one single value

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Comparative Market Analysis(CMA)

An analysis of the competition in the marketplace that a property will face upon sale attempts.

Sellers net return

seller profit once closing costs, commissions, and other fees have been subtracted. The amount the seller walks away with after a sale.

Appraisal Process

- 1) State the problem - What is the appraised being done for; new home purchase, refinance, home equity loan or other purpose
- 2) List the data needed and the sources of the data

3) Gather, record, and verify all the necessary data in step 2 - very time consuming

4) determining the highest and best use of the property

5) value estimated from each of three appraisal methods

6) Reconciliation - takes all three approaches and values and reconciles it into one single value.

After all steps are completed, appraiser takes what he has learned and conveys that to the client. Where he gives his opinion and how he came to the appraisal value.

Appraisal reporting - information actually sent to client

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- 1) Opinion of value and date it was recorded
- 2) The purpose on which the appraisal was done

- 3) Description of the neighborhood and surrounding areas of the subject property - demographics
- 4) Factual data with respect to each of the three appraisal methods; sales of recently sold similar properties
- 5) Analysis and interpret the data collected

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6) Presentation with enough detail to state and prove his final number, with supporting documents and data points.

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Insured Value

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The cost of replacing a structure completely destroyed by an insured hazard.

Book Value

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The current value for accounting purposes of an asset expressed as original cost plus capital additions minus accumulated depreciation.

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Assessed Value

A valuation placed upon a piece of property by a public authority as a basis for levying taxes on the property.

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Market Price

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The price paid regardless of pressures, motives or intelligence.

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IRV

Income * Rate = Value

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List at least three examples of lenders who offer financing to residential buyers.

Conventional, FHA, VA

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Explain the difference between a balloon mortgage and term mortgage.

Balloon is interest only to defer the principal until final payment is to be made. Term is fixed for length and generally has an amortization set over the life of the loan.

Explain the concept of negative amortization and why it is risky for borrowers.

Occurs when monthly installment payments are insufficient to pay the interest accruing on the principal balance, so that the unpaid interest must be added to the principal due.

Identify at least three participants in the secondary mortgage market.

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Fannie Mae, Freddie Mac, Ginnie Mae

Mortgage Banker

A person whose principal business in the originating, financing, closing, selling and servicing of loans secured by the real property for institutional lenders on a contractual basis.

Mortgage Broker

A broker who arranges a mortgage loan between a lender and a borrower for a fee.

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Balloon Payment

A mortgage in which the scheduled payment will not amortize the loan over the mortgage term; therefore, for the debt to be fully satisfied, a final payment called a balloon payment, larger than the uniform payments, is required.

Term mortgage

A mortgage that requires the mortgagor to pay interest only during the mortgage term, with the principal due at the end of the term.

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Negative Amortization

Occurs when monthly installment payments are insufficient to pay the interest accruing on the principal balance, so that the unpaid interest must be added to the principal due.

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Conventional Loan

A mortgage securing a loan made by investors without governmental underwriting, i.e., which is not FHA insured or VA guaranteed. The type customarily made by a bank or savings and loan association.

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PITI

An acronym denoting that a mortgage payment includes principal, interest, taxes, and insurance.

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Loan to Value Ratio

The relationship between the amount of a mortgage loan and the lender's opinion of the value of property pledged to secure payment of the loan.

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Private Mortgage Insurance

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Mortgage guaranty insurance available to conventional lenders on the first, high risk portion of a loan (PMI).

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Yield

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The interest earned by a bank on the money it has loaned.

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Discount Points

The amount of money the borrower or seller must pay the lender to get a mortgage at a stated

interest rate. The amount is equal to the difference between the principal balance on the note and the lesser amount which a purchaser of the note would pay the original lender for it under market conditions. A point [learnexams](https://www.learnexams.com) equals one percent of the loan.

Loan Origination Fee

The financing charge that a lender requires.

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VA Loan

A loan made to qualified veterans for the purchase of real property wherein the Department of

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Veteran's Affairs guarantees the lender payment of the mortgage. Guaranteed Loan.

FHA Loans

Insured. 203b, 203h, Rehab loan - 203k

Texas Loan Program

TDHCA; two programs; Texas First-time
Homebuyers program and Texas bootstrap program
- <http://tdhca.texas.gov/overview>. Texas Veterans
loans

Federal Reserve System

The federal banking system of the United States under the control of central board of governors (Federal Reserve System) involving a central bank in each of twelve geographical districts with broad

powers in controlling credit and the amount of money in circulation.

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Discount Rate

The minimum interest rate set by the Federal Reserve for lending to other banks.

Bond

Written notice of an obligation given by a **learnexams** corporation or government entity. A surety instrument.

Primary Mortgage Market

The activity of lenders' making mortgage loans to individual borrowers.

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Secondary Mortgage Market

The buying and selling of existing deeds of trust and promissory notes.

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Fannie Mae

The shortened name for the Federal National Mortgage Association (FNMA), a privately owned

corporation that purchases FHA, VA, and conventional mortgages.

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Freddie Mac

A nickname for the Federal Home Loan Mortgage Corporation (FHLMC), a corporation wholly owned

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by the Federal Home Loan Bank System that purchases FHA, VA, and Conventional mortgages.

Ginnie Mae

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A nickname for the Government National Mortgage Association (GNMA), a U.S. government agency that purchases FHA and VA mortgages.

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Truth in lending

The name given to the federal statutes and regulations (Regulation Z) which are designed primarily to insure that prospective borrowers and purchasers on credit receive credit cost information before entering into a transaction.

Real Estate Settlement Procedures Act (RESPA)

A federal law requiring the disclosure to borrowers of settlement (closing) procedures and costs by means of a pamphlet and forms prescribed by the United States Department of Housing and Urban Development.

Creditor

A person to whom a debt is owed.

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Annual Percentage Rate

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The relative cost of credit as determined in accordance with Regulation Z of the Board of Governors of the Federal Reserve System for implementing the Federal Truth in Lending Act.

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Adjustable Rate Mortgage (ARM)

A mortgage loan which bears interest at a rate subject to change during the term of the loan, predetermined or otherwise.

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Subsidy Buydown

Funds provided usually by the builder or seller to temporarily reduce the borrower's monthly principal and interest payment.

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Home Equity Loan

A loan against the equity in a home.

Wrap around mortgage

A financing device whereby a lender assumes **learnexams** payments on existing trust deeds of a borrower and takes from the borrower a junior trust deed with a face value in an amount equal to the amount

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outstanding on the old trust deed and the additional amount of money borrowed.

Construction Loan

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A loan made to finance the actual construction or improvement on land. Funds are usually dispersed in increments as the construction progresses.

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Sale and leaseback

A financial arrangement where at the time of sale the seller retains occupancy by concurrently agreeing to lease the property from the purchaser. The seller receives cash while the buyer is assured a tenant and a fixed return on buyer's investment.

Explain the concept of a deed restriction, and provide at least three examples of a deed restriction.

Restriction which are put on a property to abide by certain rules or restrictions to live in a certain community or neighborhood. 1) No fencing 2) Red brick front 3) No burning firewood

List at least four environmental hazards that may plague a building.

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Asbestos, lead, UFFI, and radon

Discuss the Interstate Land Sales Full Disclosure Act.

The Interstate Land Sales Full Disclosure Act of 1968 (ILSFDA or ILSA or "Act") was an act of Congress passed in 1968 to facilitate regulation of interstate land sales, to protect consumers from fraud and abuse in the sale or lease of land.

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http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/rmra/ils/ilsstat

Police Power

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The right of the State to enact laws and enforce them for the order, safety, health, morals and general welfare of the public.

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Zoning

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Act of city or county authorities specifying type of use to which property may be put in specific areas.

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Planned Urban Development (PUD)

A planning and zoning term describing land not subject to conventional zoning to permit clustering

of residences or other characteristics of the project which differ from normal zoning.

Spot Zoning

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The illegal rezoning of a certain property in a zoned area to permit a different type of use than that authorized for the rest of the area.

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Non-Conforming Use

A property use that doesn't conform to current zoning requirements, but is allowed because the property was being used in that way before present zoning ordinance was enacted.

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Variance

A permitted deviation from specific requirements of a zoning ordinance because of the special hardship to a property owner.

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Building Code

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A systematic regulation of construction of buildings within a municipality established by ordinance or law.

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Certificate of Occupancy

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A document issued by a local government agency after satisfactory inspection of a structure authorizing that the structure can be occupied.

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Deed restriction

Limitations in the deed to a property that dictate certain uses that may or may not be made of the property. A covenant in a deed which has restrictions.

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Laches

Delay or negligence is asserting one's legal rights.

Asbestos

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A fibrous mineral found in many building materials that when improperly disturbed, can cause serious lung diseases.

Friable

A quality of some asbestos that causes it to **learnexams** crumble, allowing toxic particles to escape into the air and lodge in people's lungs.

Radon

A colorless, odorless, radioactive gas present in the soil that enters a home through small spaces and openings.

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Urea-Formaldehyde Foam Insulation (UFFI)

A type of foam containing formaldehyde, a gaseous compound used for home insulating until the early 1980's.

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Property Management

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A branch of real estate business involving the marketing, operation, maintenance and day-to-day financing of rental properties.

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Property Manager

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A person who manages properties for an owner as the owner's agent.

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Real Estate Owned (REO)

A class of property owned by a lender, typically a bank, government agency, or government loan

insurer, after an unsuccessful sale at a foreclosure auction.

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Short Sale

A transaction in which the sale proceeds fall short of the balance owed on the property.

Foreclosure

A procedure whereby property pledged as security for a debt is sold to pay the debt in event of default in payments or terms.

List at least three tax benefits of real estate investing.

Cash flow, appreciation over time, capital gains
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Appreciation

An increase in value.

Cash flow

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The total amount of money remaining after all expenditures have been paid, including the taxes, operating costs, and mortgage payments.

Leverage

The use of debt financing of an investment to **learnexams** maximize the return per dollar of equity invested.

Equity

The property's market value minus any debts.

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Capital Gains

The profit realized from the sale of real estate or other investment. Capital loss occurs when an

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investment property or another type of investment is sold at a loss.

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Section 1031 Exchange

A section of the internal U.S. Internal Revenue Service Code that allows investors to defer capital

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gains taxes on any exchange of like-kind properties for business or investment purposes.

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Boot

Cash received in a tax-deferred exchange.

Depreciation

The amount of decrease in value of an asset that is allowed in computing the value of the property for tax purposes.

Straight line depreciation

A method of depreciation under which improvements are depreciated at a constant rate throughout the estimated useful life of the improvement.

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Real Estate Syndicate

An organization of investors usually in the form of a limited partnership who have joined together for the purpose of pooling capital for the acquisition of real property interests

Real Estate Investment Trust (REIT)

A business trust which deals principally with interest in land, generally organized to conform to the Internal Revenue Code.

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State the four types of leasehold estates, and provide an example of each.

Estate for years, periodic tenancy, tenancy at will, tenancy at sufferance

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List at least three components of a valid lease.

- 1) Security Deposit
- 2) Term - start date and end date
- 3) Rent Payment
- 4) Signatures

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State at least three different types of leases, and provide at least one example of when each lease applies.

Gross Lease - fix rental lease and landlord pays taxes and insurance, Net Lease - tenant pays all of the costs; taxes, insurance, and maintenance, Percentage Lease - pays base rental amount plus

percentage of their gross sales; could even pay taxes and maintenance; depends on the lease.

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List two benefits of renting over owning a house.

- 1) Flexibility to move
- 2) Known costs

Lessor

An owner who enters into a lease agreement with a
tenant; a landlord.

Lessee

One who contracts to rent, occupy, and use property under a lease agreement; a tenant.

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Lease

A contract between owner and tenant, setting forth conditions upon which tenant may occupy and use the property and the term of the occupancy.

Sometimes used as an alternative to purchasing property outright, as a method of financing right to occupy and use real property.

Leasehold estate

A tenant's right to occupy real estate during the term of the lease. This is a personal property interest.

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Estate for years

An interest in land by virtue of a contract for the possession of them for a definite and limited period of time. May be for a year or less. A lease may be said to be an estate for years.

Periodic tenancy

A lease that automatically renews for successive periods unless terminated by either party; also called estate from year to year.

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Tenancy at will

A property tenure that can be terminated at any time by either the tenant or the owner (landlord). It exists without a contract or lease, and is unspecific in duration or the exchange of payment.

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Tenancy at Sufferance

A tenant at sufferance is the situation when a tenant of real estate continues to occupy the premises without the landlord's consent after the original lease or rental agreement between the landlord and the tenant [learnexams](https://www.learnexams.com) has expired. A tenant in this situation is also referred to as a holdover tenant.

Gross Lease

A gross lease is a type of commercial lease where the landlord pays for the building's property taxes, **learnexams** insurance and maintenance.

Net Lease aka Triple Net Lease

A lease requiring a lessee to pay charges against the property such as taxes, insurance and maintenance costs in addition to rental payments.

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Percentage Lease

Lease on the property, the rental for which is determined by amount of business done by the lessee; usually a percentage of gross receipts from the business with provisions for a minimum rental.
In retail space

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Graduated Lease

Lease which provides for a varying rental rate, often based upon future determination; sometimes rent is based upon result of periodical appraisals; used largely in long-term leases.

Ground

An agreement for the use of land only, sometimes secured by improvements placed on the land by the user.

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Property Management

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A branch of real estate business involving the marketing, operation, maintenance and day-to-day financing of rental properties.

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Property Manager

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A person who manages properties for an owner as the owner's agent.

Operating Budget

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An annual budget that includes only the items of income and expense expected for week-to-week operation.

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Preventative Maintenance

Requires a periodic check of mechanical equipment on the premises to minimize wear and tear; for example, changing air filters on air conditioners and furnaces.

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Corrective Maintenance

A maintenance task performed to identify, isolate, and rectify a fault so that the failed equipment, machine, or system can be restored to an operational condition within the tolerances or limits established for in-service operations.

ACTR

acronym used to describe alternative risk management techniques; Avoid Control Transfer

Retain

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Identify at least three components of a deed.

grantor, grantee, and conveyance

List at least three types of deeds and provide an example of when each type of deed is used.

General Warranty Deed, Special Warranty, and Quit Claim Deed

Deed

A written document by which ownership of land is transferred from one party to another.

Grantee

A person who acquires an interest in land by deed, grant, or other written instrument.

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Grantor

A person, who by a written instrument, transfers to another the interest in land.

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Majority

A age at which a person is entitled to handle his/her own affairs.

Consideration

Anything given or promised by a party to include **learnexams** another to enter into a contract, e.g., personal services or even love and affection. It may be a

benefit conferred upon one party or a detriment suffered by the other.

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Habendum Clause

The "to have and to hold" clause which may be found in a deed.

Power of Attorney

An instrument authorizing an another to act on
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one's behalf as his/her agent or attorney.

General Warranty Deed

A deed used to convey real property which contains warranties of title and quiet possession, and the grantor thus agrees to defend the premises against the lawful claims of third persons.

Special Warranty Deed

A deed in which the seller warrants or guarantees the title only against defects arising during the period of his or her tenure or ownership of the property.

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Quitclaim Deed

A deed to relinquish any interest in property which the grantor may have, without any warranty of title or interest.

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Warranty

A promise by the grantor of real property that they are the owner and will be responsible to the buyer if title is other than what they represent.

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Delivery

The final and absolute transfer of a deed from a seller to a buyer in such a manner that it cannot be recalled by the seller.

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Bargain and sale deed

Any deed that recites a consideration and purports to convey the real estate; a bargain and sale deed with a covenant against the grantor's act is one in which the grantor warrants that grantor has done nothing to harm or cloud the title.

Title

The evidence of right which a person has to the ownership and possession of land, commonly considered as a history of rights.

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Title Search

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An examination of public records, laws, and court decisions to disclose the current facts regarding the ownership of real estate.

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Marketable Title

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Title which a reasonable purchaser, informed as to the facts and their legal importance and acting with reasonable care, would be willing and ought to accept.

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Chain of title

A term applied to the past series of transactions and documents affecting the title to a given parcel of land.

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Clouded title

Title that is encumbered or burdened with defects.

Clear title

Title which is not encumbered or burdened with
defects.

Conditions in Title

A provision in a deed that upon happening, or failure to happen, of a certain event, limits, enlarges, changes, or terminates the title of the purchaser.

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Title defect

Any legal right held by others to claim property or to make demands upon the owner.

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Forfeiture of Title

A provision in a deed creating a condition which will cause the title to be passed to another should certain circumstances occur.

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Acknowledgement

The act by which a party executing a legal document goes before an authorized officer (a notary public), and declares the same to be his/her voluntary act and deed. JORT

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Recording

The process of placing a document on file with a designated public official for public notice.

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Constructive Notice

A fact, imputed to a person by law, which should have been discovered because of the person's

actual notice of circumstances and the inquiry that a prudent person would have been expected to make.

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Actual Notice

Express or implied knowledge of a fact.

Inquiry Notice

Notice the law presumes a reasonable person
would obtain by inquiring into a property.

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Examination of Title

The investigation and interpretation of the record title to real property based on the title search or abstract.

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Notary

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One who is authorized to take acknowledgements.

Abstract of Title

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A condensed history, or summary of all transactions
affecting a particular tract of land.

Title insurance

Insurance against loss or damage resulting from defects or failure of title to a given parcel of real estate.

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Affadavit

A sworn statement in writing.

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Estate

A person's possessions; the extent of a person's interest in real property.

Life Estate

A grant, or reservation of the right of use, occupancy and ownership for the life of an individual.

Tenancy by Entirety

Ownership by married persons where each owns the entire estate with the survivor taking the whole estate upon the death of the other.

Tenancy in Common

An estate or interest in land held by two or more persons, each having equal rights of possession and enjoyment, but without any right of succession by survivorship between the owners.

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Types of co-ownerships

joint tenancy, tenancy in common, community property

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4 unities of ownership

time, title, interest, possession

Unity of time

Co-owners receive title **learnexams**
at the same time in the
same conveyance

Unity of Title

Co-owners have the

same type of ownership

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Unity of Interest

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Co-owners have an
equal percentage of
ownership

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Unity of possession

Co-owners must have

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an Undivided Interest:

All co-owners must

have the right to

possess or access all **learnexams**

portions of the property

Testament

Another term for a will; commonly referred to as a last will and testament.

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Testate

The state or condition of leaving a will at death.

Testator

One who makes a will. **learnexams**

Devise

The disposition of real property by a will.

Intestate

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Designates the estate or condition of failing to leave a will at death.

Will

A written document outlining the distribution of property previously owned by a person who dies.

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Administrator

A person appointed by the court to settle affairs of an individual dying without a will.

Executor

A person named in a will to carry out the terms of a will.

Attorney In-fact

One who holds a power of attorney for another, **learnexams**, allowing him to execute legal documents such as deeds, mortgages, etc, on behalf of person granting the power.

Voluntary Alienation

Transfer of title freely by the owner.
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Involuntary Alienation

Transfer of title to real property as a result of a lien foreclosure sale, adverse possession, the filing of a petition in bankruptcy, or condemnation under power of eminent domain or upon the death of the titleholder, to the State when there are no heirs.

Adverse Possession

A claim made against the lands of another by virtue of open and notorious possession of the lands by the claimant.

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Condemnation

Taking private property for public use through court proceedings.

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Escheat

A reversion of property to the State when heirs capable of inheriting are lacking.

Closing

The process by which all the parties to a real estate transaction conclude the details of a sale or mortgage. The process includes the signing and transfer of documents and distribution of funds.

Closing Costs

The miscellaneous expenses buyers and sellers normally incur in the transfer of ownership of real property over and above the cost of the property.

List at least five costs associated with a closing
Attorney fees, title insurance, government fees,
property taxes, commission
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Discuss three duties of a closing agent in the closing process

Accurately describe the responsibilities of the buyer and seller, ensure the correct amounts are applied for each charge or fee, ensure there are no errors or inaccuracies

Identify at least five items that are included on a settlement statement

Property address, commissions collected, amount due by buyer, pay off information for seller, taxes & insurance

Proration

The division of certain settlement costs between a buyer and seller.

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Debit

In a closing statement, an expense or money received against a credit.

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Credit

In a closing statement, money to be received or credit given for money or an obligation given.

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HUD Form No. 1

A standard settlement form required by RESPA.
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