

DIAGNOSTIC TEST

1. A agrees to buy B's real estate for \$123,000. A signs a sales contract and deposits \$12,300 earnest money with B's broker, C. B is unable to show good title, and A demands the return of his earnest money from C, as provided in the contract. What should C do?
 1. Deduct the commission and return the balance to A
 2. Deduct the commission and pay the balance to B
 3. Return the entire amount of earnest money to A
 4. Pay the entire amount to B to dispose of as B sees fit

2. A broker employs several salespeople at her office. Early one day one member of the sales staff submits a written offer with an earnest money deposit on a house listed with the broker. Later the same day another salesperson submits a higher written offer on the same property, also including an earnest money deposit. The broker, in accordance with the policy of her office, does not submit a second offer unless the first has been presented and *rejected* by the seller. In this case the seller accepts the first offer, so the seller is not informed of the second offer. In this situation, the broker's actions are
 1. permissible, provided the commission is split between the two salespeople.
 2. permissible, if such arrangement is written into the salespeople's employment contracts.
 3. not permissible, because the broker must submit all offers to the seller.
 4. not permissible, because the broker must notify the second buyer of the existence of the first offer.

3. An owner listed her home for \$98,000, and the listing broker told the prospective buyer to submit a low offer because the seller was desperate. The buyer offered \$96,000 and the seller accepted. In this situation
 1. the broker was unethical, but because no one was hurt, the broker's conduct is not improper.
 2. the broker violated the agency relationship.
 3. the broker's action was proper in obtaining a quick offer.
 4. any broker is authorized to encourage bidders.

4. A salesperson desires to advertise a property without including the brokerage name. This situation is allowed when
 1. the salesperson is the listing agent.
 2. the salesperson includes his or her name in the ad.
 3. the salesperson is the actual owner and advertising as a for sale by owner.
 4. the salesperson is willing to pay for the ad.

5. A doctor listed his home with a broker under an exclusive-right-to-sell agreement. The listing salesperson and her broker signed the listing contract. Which of the following statements does *NOT* correctly describe the relationship among the parties?
 1. The broker has a fiduciary relationship with the seller.
 2. The salesperson has a fiduciary relationship with the broker.
 3. If the salesperson dies, the listing contract will be terminated.
 4. If the broker dies, the listing contract will be terminated.

6. A real estate broker is usually
 1. a special agent.
 2. a universal agent.
 3. a general agent.
 4. an ostensible agent.

7. Which of the following is *FALSE* concerning a real estate broker?
 1. All offers must be presented by the broker to the principal.
 2. Brokers may place blind ads.
 3. A fixed place of business must be maintained by the broker.
 4. The broker's commission usually is specified in the listing agreement.
8. Which of the following is *FALSE* concerning a real estate salesperson?
 1. The salesperson is responsible to the broker under whom she or he is licensed.
 2. All of a salesperson's activities must be carried out in the name of his or her principal broker.
 3. The salesperson must work under the broker as an independent contractor.
 4. A salesperson is compensated on the basis of an agreement between herself or himself and the broker.
9. You are a broker who has listed a home for a neighbor. Which of the following terms describes your relationship with the seller?
 1. You are a subagent of the seller.
 2. The seller is your client.
 3. The seller is your customer.
 4. The seller is your agent.
10. A man who owned a single-family house had his unlicensed son-in-law do the electrical work in preparing his home for sale. The man did not disclose this to the broker at the time of executing the listing. After completion of the sale, the new owner suffered a financial loss because of the faulty electrical wiring done by the owner's son-in-law. The broker
 1. could be reprimanded for not forewarning the purchaser.
 2. is innocent of any wrongful act.
 3. will be held liable for monetary damages suffered by the purchaser.
 4. should have arranged for a proper electrical inspection prior to the sale.
11. A home is listed for \$100,000 and sells for \$90,000. The broker's commission is 7 percent of the selling price. The commission is
 1. \$630.
 2. \$700.
 3. \$6,300.
 4. \$7,000.
12. You are a broker acting as a facilitator in the sale of a house without being an agent of either party. You are a(n)
 1. buyer's broker.
 2. cooperative broker.
 3. listing broker.
 4. transactional broker.
13. The responsibilities of a broker in an agency relationship include
 1. managing the property.
 2. providing financing.
 3. accountability for funds received.
 4. accepting an offer for the seller.
14. The listing broker owes fiduciary duty to the
 1. buyer.
 2. lender.
 3. seller.
 4. buyer's attorney.
15. When a broker lists a property, the broker may
 1. reject an offer for the seller's property.
 2. bind the seller to a contract.
 3. advertise the seller's property.
 4. offer legal advice to the seller.
16. A broker has received several offers for a property he has listed. The broker must present each offer to the seller
 1. promptly on receipt.
 2. individually.
 3. as soon as the seller has decided on any previous offer.
 4. prior to the seller deciding on any previous offer.

17. A salesperson sells a property listed by her broker. The salesperson may accept her share of the commission from
 1. the seller.
 2. her broker.
 3. the buyer.
 4. the buyer's attorney.
18. Which of the following is a violation of the broker's fiduciary relationship with a seller?
 1. The broker charges no commission.
 2. The broker charges a 40 percent commission.
 3. The broker tells a prospective buyer the lowest price the seller will accept.
 4. The broker tells a prospective buyer the highest price the seller will accept.
19. Which of the following statements does *NOT* correctly describe a fiduciary?
 1. A fiduciary owes loyalty to the principal.
 2. A fiduciary must conform to the principal's legal instructions.
 3. A fiduciary is an agent.
 4. A fiduciary is a neutral third party.
20. A salesperson is working under a broker. The salesperson may
 1. work under the broker as an independent contractor.
 2. place an ad without identifying the broker.
 3. receive a commission directly from a seller.
 4. receive a commission directly from another broker.
21. A special agent is *BEST* described as someone who
 1. has power of attorney.
 2. has authority to sell a property.
 3. has authority to represent a principal in a specific transaction.
 4. has authority to represent a principal in all matters concerning an area of the principal's interest.
22. A broker presents a seller with a written offer to purchase. The broker is responsible for
 1. explaining the advantages or disadvantages of the offer to the seller.
 2. explaining the legal implications of accepting the offer.
 3. binding the seller to the offer.
 4. preparing the title search once the offer is accepted.
23. A broker is listing her neighbor's home. The commission should be determined by
 1. the size of the broker's firm.
 2. rates approved by the Real Estate Commission.
 3. rates approved by the local Board of REALTORS®.
 4. negotiation with her neighbor.
24. A broker recently has listed a home under an exclusive-right-to-sell listing contract. The broker generally will earn his commission when
 1. he submits an offer to purchase to the seller.
 2. the seller signs an offer to purchase.
 3. he finds a buyer ready, willing, and able to buy on the terms of the listing.
 4. the closing has taken place.
25. A broker has earned a commission on the sale of her listing by another broker. The listing broker may pay part of her commission to
 1. the selling broker.
 2. the selling salesperson.
 3. the out-of-state salesperson who referred the seller to her.
 4. the buyer's attorney.
26. A broker has just received an earnest money payment on an offer to purchase. The broker must place the earnest money in his
 1. trust account.
 2. business account.
 3. personal checking account.
 4. savings account.

27. A salesperson working for a broker has just written an offer to purchase on her broker's listing in which the buyer has written a check for earnest money and stated that the broker hold the funds. Which of the following statements describes how the earnest money payment should be handled?
1. The salesperson should place the earnest money in her checking account and await the closing of the transaction.
 2. The salesperson should give the earnest money check to the seller's attorney.
 3. The salesperson should place the earnest money check in a safe deposit box until the transaction is concluded.
 4. The salesperson should give the earnest money check to her broker for deposit in the broker's trust account.
28. A licensed real estate broker who engages the services of a licensed salesperson on the basis that the broker can direct what the salesperson can do but not how it is done has
1. engaged an independent contractor.
 2. discriminated illegally.
 3. practiced steering.
 4. established an employer-employee relationship.
29. A broker's license can be revoked if the broker
1. advertises property for sale without including the salesperson's name in the ad.
 2. negotiates a commission based on what the broker says is the rate set by the local board of REALTORS®.
 3. pays a commission that exceeds the customary rate.
 4. advertises free market analysis as a means of obtaining listings.
30. What is the listing broker's legal responsibility to a prospective purchaser?
1. The broker must not use fraud or deceit.
 2. The broker must help the buyer get the lowest price possible.
 3. The broker is only a middleperson. Neither the buyer nor the seller can charge her or him with avoiding a legal duty.
 4. There is none at all.
31. To create agency requires two things: delegated authority and
1. a compensation agreement.
 2. a written agency agreement.
 3. reasonable care.
 4. consent to act.
32. A designated broker authorized an agent to singularly represent a seller, to the exclusion of everyone else in the office. This agent is called
1. a subagent.
 2. a dual agent.
 3. an appointed agent.
 4. an affiliated licensee.
33. Which of the following statements does *NOT* correctly describe the E-Sign law?
1. E-Sign is one of two laws governing electronic contracting.
 2. E-Sign allows consumers to provide written consent if they wish to substitute electronic documents for written documents.
 3. E-Sign makes electronic records relating to a transaction legally enforceable even if a state statute requires that the records be in writing.
 4. E-Sign requires a detailed disclosure and consent process if the parties wish to substitute electronic signatures for written signatures.

34. Which of the following statements does *NOT* correctly describe the Federal Telemarketing Law?
1. People may register with the Federal Trade Commission and are placed on do-not-call lists.
 2. Real Estate licensees are not considered telemarketers under the law.
 3. The law does not apply unless the call is intended to sell real estate.
 4. The rules are not intended to interfere with ongoing transactions.
35. The Federal Telemarketing Law allows follow-up calls to previous customers or clients to be made within
1. 6 months of the previous sale involving the agent.
 2. 12 months of the previous sale involving the agent.
 3. 18 months of the previous sale involving the agent.
 4. 24 months of the previous sale involving the agent.
36. Which of the following provides real estate agents with the opportunity to display all of the MLS listing on their own Web site?
1. Yahoo
 2. IDX
 3. The multiple listing service
 4. Google

MATCHING QUIZ

The column on the right contains brief memory links to important terms in Chapter 7.
Write the letter of the matching term on the appropriate line.

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|-------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|
| A. Principal | 1. _____ Standard of ethical behavior for REALTORS® |
| B. Delegated authority | 2. _____ Unlawful mixing of the broker's money and his or her client's funds |
| C. Consent to act | 3. _____ The person or entity that delegates authority in order to create an agency relationship |
| D. Fiduciary | 4. _____ A property manager who has several duties to perform for his or her principal |
| E. Loyalty | 5. _____ A duty to a principal that includes confidentiality |
| F. Dual agency | 6. _____ Giving a seller an Estimate of Proceeds to determine their net before listing their home is an example of this agency duty |
| G. Commingling | 7. _____ A relationship where an agent represents only one party |
| H. Protection clause | 8. _____ With permission, representing both sides of the same transaction |
| I. Single agency | 9. _____ An illegal action where two brokers agree not to cooperate with a third broker |
| J. Subagent | 10. _____ Agent's exaggerated opinion |
| K. Puffing | 11. _____ Intentional misrepresentation |
| L. Fraud | 12. _____ An agent's agent |
| M. REALTORS® Code of Ethics | 13. _____ Extends the period of time that a seller agrees to pay a commission |
| N. Boycotting | 14. _____ The principal's act that creates agency |
| O. Tying arrangement (tie-in) | 15. _____ Type of duty required of an agent when asked by an owner not to place a For Sale sign in the yard |
| P. Client | 16. _____ To create agency the principal delegates authority, and the broker must do this |
| Q. Customer | 17. _____ A type of relationship based on trust and confidence |
| R. Obedience | 18. _____ Requiring a buyer to list his or her current home with the same agent in order to purchase a new home |
| S. Care | 19. _____ Someone you work with |
| T. General agent | 20. _____ Someone you work for |