Professional

Real-Estate-Licensing
National Real Estate Licensing: Salesperson, Broker, Appraiser

Questions And Answers PDF Format:

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Question: 1

The gross income of an office building is $22,000. Operating expenses are $7,000. The capitalization rate is 10%. What is the value estimate?

A. $145,000
B. $150,000
C. $115,000
D. $213,000

Answer: B

Explanation:
Value = Income / Capitalization Rate
Value = $22,000 - $7,000 / .10
Value = $15,000 / .10
Value = $150,000

Question: 2

If a landowner refuses to negotiate with the government in the event that the government wants to take the property pursuant to eminent domain, the government has the right to do which of the following?

A. Sue the landowner
B. Arrest the landowner
C. Condemn the affected land
D. Sell the affected land

Answer: C

Explanation:
If a landowner refuses to negotiate with the government during an eminent domain situation, the government has the right to condemn the affected land. Eminent domain gives the government the right to acquire privately owned property in order to build something for public use. In an eminent domain situation, the government cannot just seize the needed property, it must pay the landowner for the real estate.
The government does not have the right to sue the landowner. However, the landowner has the right to sue the government for high compensation. In an eminent domain situation, the government does not have the right to arrest the landowner or sell the affected land.

Question: 3

What valuation method is the gross rent multiplier (GRM) approach an alternative to?

A. The income approach
B. A multiyear analysis
C. A one-month analysis
D. A quarterly analysis

Answer: A

Explanation:
The gross rent multiplier (GRM) approach can be used instead of the income approach when appraising single-family income properties and the only source of income for the property is rent. An equity dividend rate is based on a one-year analysis. The equity dividend rate is a return-on-investment measure that is a ratio of a single year's before tax cash flow and the equity investment in the real property. Equity dividend rate = Equity investment/Before tax cash flow.
The other choices are incorrect because an equity dividend rate is based on a one-year analysis, not a one-month analysis, a multiyear analysis, or a quarterly analysis.

Question: 4

Private mortgage insurance (PMI) may be required for conventional loans when which of the following occurs?

A. The loan-to-value amount is greater than 80%
B. The loan-to-value amount is less than 80%
C. The loan is classified as a conforming loan
D. The loan is classified as a jumbo loan

Answer: A

Explanation:
Private mortgage insurance (PMI) may be required for conventional loans not backed by the FHA or VA when the loan-to-value amount is greater than 80%. This could mean the loan is either for more than 80% of the property's appraised value or more than 80% of the property's selling price, whichever one is lower. PMI is paid for by the buyer, and the higher the loan-to-value amount is, the more PMI costs.
The other choices are incorrect because conforming or jumbo loans only require PMI if the loan-to-value amount is greater than 80%, and a loan-to-value amount of less than 80% does not require PMI.

Question: 5

What governmental entity determines property values for the purpose of calculating property taxes?

A. County or township assessor's office
B. State budget office
C. Ad valorem office
D. The IRS

Answer: A

Explanation:
Real estate taxes are based on the percentage of a property's assessed value as determined by local assessors. The method of arriving at "assessed value" typically varies from locality to locality and is not dictated by the state. As such, each county or township assessor offices across the state may have different formulae upon which to assess property values for property tax purposes.
State budget office, IRS, and ad valorem office are all incorrect.

Question: 6

Which statement is true in regard to down payments under the Federal Housing Administration (FHA)?

A. Down payments can be as low as 3.5%
B. Down payments are normally 10%
C. Down payments are normally 20%
D. Down payments are not required

Answer: A

Explanation:
It is true that down payments can be as low as 3.5% under the Federal Housing Administration (FHA). FHA is the mortgage participant that is a branch of the U.S. Department of Housing and Urban Development (HUD) that insures qualified mortgages for single-family, multifamily, nursing home, and mobile home loans.
Down payments are not required is incorrect because VA mortgages generally do not require down payments. Down payments are normally 20% is incorrect because conventional loans generally require down payments of 20%. Down payments are normally 10% is incorrect.

Question: 7

Tammy purchased her house for $130,000 and sold it a few years later for $165,000. What was Tammy's rate of profit?

A. 78.78%
B. 21.21%
C. 61.32%
D. 26.92%

Answer: D

Explanation:
Tammy's rate of profit is 26.92%.
To find the rate of profit, you will first need to find the dollar value of profit: $165,000 - $130,000 = $35,000. Then you will need to determine what the percentage portion of the dollar value is of the purchase price: $35,000 / $130,000 = 26.92%.

Question: 8

Doug is in a contract with a real estate agency to sell his real estate. Doug's contract with the agency states that he will pay a commission to the broker regardless of who sells the real estate. What type of agency contract does this best describe?

A. Net listing
B. Exclusive agency listing
C. Exclusive-right-to-sell listing
D. Open listing

Answer: C

Explanation:
Doug has an exclusive-right-to-sell listing. An exclusive-right-to-sell listing is one in which the agency contract states that the principal will pay a commission to the broker regardless of who produces the buyer or renter.
Open listing is incorrect because it is an agency contract that states the principal will only pay a commission to the broker if the broker actually finds a buyer or renter who purchases or rents the real estate. Exclusive agency listing is incorrect because it is an agency contract that states the principal will only employ one broker and only pay commission to that broker unless the principal produces a buyer or renter for the real estate. Net listing is incorrect because it is an agency contract that states the principal agrees to a set amount and anything over that amount is commissioned to the broker.

Question: 9

A significant determinant of the value of land is per capita and household income. Determinants of land and its value fall under which of the following categorizations of forces affecting real estate value?

A. Physical and environmental
B. Economic-financial
C. Political-governmental-legal
D. Sociological

Answer: A

Explanation:
Forces affecting real estate values operate on the international and national, regional, and local community levels. These forces can be categorized as:

1. Physical and environmental
2. Economic-financial
3. Political-governmental-legal
4. Sociological

The fixed location of land distinguishes land from other assets. Urban land derives its value from its location. The most significant determinants of value are the type of industry in the area, interest rates, employment and unemployment rates and type, per capita and household income, and stability. These determinants also affect the individual property, including real estate prices and mortgage payments.

Question: 10

Mike is mentally incompetent and has had a guardian appointed by the court. Mike enters into a contract to buy a house from an adult. Which statement is true?

A. Mike or the adult can void the entire contract any time before the contract is carried out
B. The contract of sale is void or voidable
C. Mike can void any portion of the contract any time before the contract is carried out
D. Mike can void the entire contract any time before the contract is carried out

Answer: B

Explanation:
It is true that Mike's contract of sale is void or voidable. Since Mike is a mentally incompetent individual with a court-appointed guardian, any contract that Mike enters into without the guardian is void. If Mike was a mentally incompetent individual with no court-appointed guardian, then he could enter into the contract, but the contract may still be voidable.
The other choices are incorrect because Mike's contract would be automatically void; therefore, he would not have the opportunity to void the contract. However, if Mike did not have a court-appointed guardian, he may be able to void the entire contract any time before the contract is carried out.