Testbank II

Chapter 7: Real Estate Brokerage and the Law of Agency

[Note to Instructor: The national portion of the license exam will refer to a salesperson licensee which should be interpreted as equivalent to North Carolina’s provisional broker.]

1. The real estate broker’s fiduciary responsibility to keep the principal informed of all facts that could affect a transaction is the duty of
   a. skill, care, and diligence.
   b. disclosure.
   c. obedience.
   d. accounting.

2. The amount of compensation due to a salesperson licensee from the brokerage firm is determined by the
   a. state real estate regulator to ensure the public the most protection from incompetent licensees.
   b. local real estate board’s minimum wage guarantee to agents.
   c. in-house employment contract.
   d. listing agreement.

3. Which of the following would be dual agency?
   a. A broker-in-charge assisting a buyer client in the purchase of a property that was listed by a provisional broker of the firm
   b. A provisional broker and a broker licensee from firms that are cooperating in a transaction
   c. A firm that represents buyers and sellers
   d. A broker finding a buyer for a property the broker personally listed

4. If a real estate licensee is an independent contractor affiliated with a real estate brokerage firm, the licensee is solely responsible for all of the following EXCEPT
   a. paying local, state, and federal income taxes.
   b. determining daily and weekly work hours.
   c. violations of state licensing law.
   d. setting individual business goals.

5. The relationship of a broker to a client is that of
   a. a trustee.
   b. a subagent.
   c. a fiduciary.
   d. an attorney in fact.

6. A real estate broker was responsible for a chain of events that resulted in the sale of one of his client's properties. This is referred to as a
a. pro forma.
b. procuring cause.
c. private offering.
d. proffered offer.

7. A North Carolina provisional broker may advertise a property only if the broker
   a. personally listed the property.
   b. uses the employing broker's name or the firm name in the advertisement.
   c. personally pays for the advertisement.
   d. is an active member of the local real estate board.

8. A parcel of vacant land 80 feet wide and 200 feet deep was sold for $200 per front
   foot. How much money would an individual agent receive for a 60 percent share
   of the 10 percent commission earned?
   a. $640
   b. $960
   c. $1,600
   d. $2,400

9. A real estate broker acting as the agent of the seller
   a. is obligated to render faithful service to the principal.
   b. is allowed, but not required, to disclose the seller's minimum price.
   c. should present to the seller only the highest offer for the property.
   d. can accept an offer on behalf of the seller.

10. Opinion statements by an agent exaggerating the benefits of a property are called
    a. polishing.
    b. puffing.
    c. prospecting.
    d. marketing.

11. A broker is permitted to represent both the seller and the buyer in the same
    transaction when
    a. the broker decides principals will benefit from the dual representation.
    b. the broker is a subagent rather than the agent of the seller.
    c. commission is paid by the seller.
    d. both parties have been informed and agree to the dual representation.

12. Unless some other written agreement has been made, the broker will usually
    receive the sales commission from the seller when
    a. the purchaser takes possession of the property.
    b. the seller lists the property with the broker.
    c. the transaction is closed.
    d. an offer is procured from a ready, willing, and able buyer.

13. All of the following could legally be considered fraudulent EXCEPT
a. deceitful or dishonest practices.
b. exaggerated opinions about the property.
c. omitted statements of material fact.
d. misstatements about the property.

14. A real estate licensee who is an independent contractor with a real estate brokerage firm usually receives
   a. a monthly salary or hourly wage.
   b. company-provided health insurance.
   c. a company-provided automobile.
   d. negotiated commissions on transactions.

15. As an agent for the seller, a real estate broker can
   a. guarantee a prospective buyer that the seller will accept an offer at the listed price and terms.
   b. solicit an offer to purchase the property from a prospective buyer.
   c. advise a prospective buyer of the best manner of taking title to the property.
   d. change the terms of the listing contract on behalf of the seller.

16. A seller has listed a home with a broker for $90,000, and the broker suggests to a prospective buyer-customer to submit a low offer because of the seller’s urgent need to sell. The buyer offers $85,000, and the seller accepts it. In this situation,
   a. the broker has violated his agency relationship with the seller.
   b. the broker’s action was acceptable since the seller accepted the offer.
   c. the broker acted properly to obtain a quick offer on the property.
   d. any broker is encouraged to solicit such bids for the property.

17. A broker was told by his seller-principal not to advertise her property in the newspaper, which was just across the state line. The broker must comply with the seller’s wishes because he
   a. is required to comply with the Interstate Land Sales Full Disclosure Act.
   b. must obey the lawful instructions of his principal.
   c. only has an advertising contract with another newspaper.
   d. is allowed to advertise only in local newspapers.

18. In a typical agency relationship between a broker and client, the broker’s commission is determined by
   a. state law.
   b. the local real estate board.
   c. mutual agreement.
   d. minimums based on the property type.

19. It is the duty of an agent to disclose to a buyer client all the facts and conditions pertaining to the transaction involving the client because the
   a. amount of commission may be adjusted based upon the agent’s efforts.
   b. agent has fiduciary obligations to the principal.
c. the local REALTOR® board strongly endorses full disclosure.
d. terms of the purchase contract require the agent to do so.

20. Upon discovering a latent defect in the property, the listing agent should discuss
the problem with the seller and then
a. inform the seller that the defect must be repaired.
b. arrange for the repairs himself or herself as required by the terms of a
typical listing contract.
c. inform any prospective buyers of the defect.
d. contact the city building inspector about the defect.

21. A provisional broker sells another firm’s listing for $150,000. The commission is
6.5 percent of the sales price. Of this amount, 55 percent goes to the listing
broker, and the remaining 45 percent belongs to the cooperating broker. If the
provisional broker receives 60 percent of any commission that he generates for
the office, he is entitled to receive
a. $2,632.50.
b. $3,217.50.
c. $4,387.50.
d. $5,850.00.

22. To be entitled to collect a real estate commission, a North Carolina broker must
meet all of the following criteria EXCEPT
a. the broker had an active North Carolina real estate broker’s license.
b. the broker was a procuring cause for the transaction.
c. the broker was employed to perform certain activities in the transaction.
d. the broker was an active member of the local REALTOR® board.

23. A broker lists a property for sale at $100,000 with a 5 percent commission. The
broker obtains a verbal offer to purchase the property from a prospective buyer.
The seller indicates to the broker that the offer would be acceptable if submitted
in writing. Before it can be put into writing, the buyer withdraws the verbal offer.
In this situation, the broker would be entitled to
a. a commission of $5,000.
b. only a partial commission.
c. no commission.
d. sue the buyer for breach of contract.

24. A developer subdivides acreage and offers individual lots for sale. A broker
member of the local trade association lists and sells several of the lots. The
developer refuses to pay the promised commission. Using his best efforts to
obtain the earned commission, the broker should
a. report the developer to the state real estate commission.
b. file a mortgage against the developer's remaining lots.
c. file a complaint with the local REALTOR® board.
d. file a civil suit against the developer for breach of contract.
25. Which of the following is NOT a material fact in North Carolina?
   a. A leak around the flashing of the chimney
   b. A cracked heat exchange in the heating system
   c. The imminent widening of the road in front of the property to four lanes
   d. Polybutylene pipes that have never leaked

26. An agent employed by a listing broker told a prospective buyer customer that the listed house was "the best house in the area." This statement would be considered
   a. fraud on the part of the individual agent.
   b. fraud on the part of the broker-in-charge because the employing broker is responsible for the actions of any agent representing the firm.
   c. legal puffing.
   d. fraud only if the buyer purchased the house based on the statement.

27. Which of the following BEST defines the common law of agency?
   a. The disclosure requirement by the agent to third parties no later than first substantial contact
   b. Case law establishing the responsibilities of a person who acts for another
   c. The Code of Ethics prescribed by the local trade association
   d. State license law and rules

28. A broker who is the agent of the buyer should
   a. disclose to the buyer that the seller is a member of a minority group.
   b. disclose to the seller the maximum price the buyer is willing to pay.
   c. present to the seller only the offer(s) containing a price and terms recommended by the agent.
   d. advise the buyer, if in the agent’s opinion, the listing price of a listed property is unrealistic.

29. A North Carolina broker verbally agrees to represent a prospective buyer even though the buyer declined to sign a buyer agency agreement. The broker neglected to revisit the agency issue before showing the buyer a suitable property. Therefore, while showing property, the agent has a fiduciary duty to
   a. the seller.
   b. the buyer.
   c. no one.
   d. the public.

30. If a real estate licensee will be treated as an employee, the employing broker must do all the following EXCEPT
   a. provide a W-2 that reflects all monies paid to the employee.
   b. withhold appropriate local, state, and federal employment taxes.
   c. specify work hours and task requirements.
   d. provide employee benefits.
31. A real estate agent working for a brokerage firm lists a unit for sale in a condominium building. In this transaction, the agent
   a. is now personally obligated as the seller’s agent.
   b. is acting on behalf of the brokerage firm, the seller’s agent.
   c. is representing the condominium association.
   d. must personally find a buyer for the unit in order for the firm to earn a commission.

32. Which of the following would *NOT* be considered a stigmatized property in North Carolina?
   a. A tenant committed suicide in the basement.
   b. Local people consider the house to be haunted.
   c. The elderly owner died peacefully in her bedroom.
   d. The property was flooded during a hurricane.

33. A buyer-client has instructed the agent to show only properties where the seller is willing to pay the buyer agent’s commission. The agent contacts an owner selling property without the assistance of a real estate agent with the hope that the seller would be willing to pay her commission if the buyer decided to purchase the seller’s property. In order to comply with North Carolina Real Estate Commission Rules, the agent must do all of the following EXCEPT
   a. obtain permission from her buyer-client in order to receive compensation from the seller.
   b. disclose her agency status to the seller at initial contact.
   c. convince the seller to list with her and authorize dual agency.
   d. review the *Working with Real Estate Agents* brochure with the seller.

34. The listing broker tells a prospective buyer that the seller is on the verge of bankruptcy. The broker’s actions are
   a. acceptable since they may promote an offer from the buyer.
   b. acceptable as long as the broker does not disclose any additional specific financial information concerning his client’s credit history.
   c. unacceptable unless there are multiple offers on the property.
   d. unacceptable unless the seller has authorized the broker to share the information with potential buyers.

35. A listing agent is showing a house to a prospective buyer customer. The seller told the listing agent that during the past 10 winters, the sellers have been unable to rid the house of rodents. The seller has hidden rodent damage by the strategic placement of a large sofa. Which of the following statements is *TRUE*?
   a. This information may be withheld since the agent never saw any evidence of infestation or damage.
   b. Disclosing the information could create a fiduciary relationship with the buyer and, thereby, create an unauthorized dual agency situation.
   c. Withholding the information prevents an informed buyer decision.
36. A North Carolina provisional broker may accept compensation
   a. from his employing broker.
   b. directly from his consumer-principal.
   c. from another licensee representing the broker.
   d. all the above.

37. The listing and selling brokers agree to equally share a 7 percent commission on a $95,900 sale. The listing broker gives the listing licensee 50 percent of the firm’s commission and the selling broker gives the selling licensee 65 percent of that firm’s commission. How much does the selling licensee earn from the sale?
   a. $1,678.25
   b. $2,181.73
   c. $3,356.50
   d. $4,363.45

38. A real estate firm practices all legal forms of agency allowed in North Carolina. If a firm’s buyer-client is interested in buying property listed with the firm, the firm must
   a. decline to act as dual agent and refer the buyer to another firm.
   b. require both clients to sign agency agreements prior to the close of the transaction.
   c. disclose the agency options available and obtain written consent from both clients to act as dual agent.
   d. act as a facilitator rather than a fiduciary.

39. Which of the following statements is TRUE about types of agency?
   a. A property manager usually acts as a special agent of the landlord.
   b. A listing agent usually acts as a general agent of the seller.
   c. A real estate licensee usually acts as a general agent of an affiliated firm.
   d. A buyer’s agent usually acts as a universal agent for the buyer.

40. Which of the following BEST describes a designated agency transaction?
   a. The listing firm appointing an agent to represent the seller
   b. The selling firm appointing an agent to represent the buyer
   c. Some agents in the same firm representing buyers exclusively and other agents in the same firm representing sellers exclusively
   d. A broker-in-charge appointing one agent to exclusively represent the seller as the client and appointing a different agent to exclusively represent the buyer as a client while the firm remains in dual agency

41. A listing agent has an obligation to disclose to the seller
   a. only offers that meet the seller’s specifications.
   b. if the buyer intends to resell the property quickly for a profit.
   c. the name and nationality of the purchaser.
   d. the in-house commission split between the firm and the listing licensee.
42. A firm that represents both the buyer and the seller in the same transaction is
   a. a designated agent.
   b. a dual agent.
   c. in violation of license law and Commission Rules unless they have a
      comprehensive written agency policy.
   d. primarily representing the seller as they normally pay the commission.

43. If the broker-in-charge (BIC) is to act as one of the designated agents on a North
   Carolina in-house transaction, which of the following may be appointed as a
   designated agent for the other party to the transaction?
   a. An actively licensed provisional broker within the firm, as long as
      disclosure is made to both clients.
   b. A licensed broker within the firm who has no prior confidential
      knowledge of the party that the BIC will represent.
   c. A broker-in-charge cannot be appointed as a designated agent.
   d. A licensed broker who has prior confidential knowledge about the party
      that the BIC will represent.

44. Which of the following describes designated agency in North Carolina?
   a. Designated agency is optional, not mandatory.
   b. Designated agency does not eliminate dual agency.
   c. Designated agents cannot have prior confidential knowledge of the other
      party to the transaction.
   d. All of the above

45. If a North Carolina firm is to practice designated agency, which of the following
   is TRUE?
   a. Designated agents must be licensed as nonprovisional brokers.
   b. A comprehensive firm policy is required by Commission Rule.
   c. Designated agents must be members of the local real estate trade
      association.
   d. The broker-in-charge cannot be designated as one of the agents.

46. Which of the following situations is considered to be a material fact in North
   Carolina?
   a. Nearby land is being considered for a landfill
   b. House is rumored to be haunted
   c. Criminal activity occurred on the property
   d. Convicted sexual offender lives in the neighborhood

47. In North Carolina, oral buyer agency
   a. must be non-exclusive and have no expiration date.
   b. must be reduced to writing prior to writing an offer to purchase on behalf
      of the buyer.
   c. allows the details of the agency arrangement to be delayed until written
      agency occurs.
   d. can not include dual agency options.
48. The North Carolina *Working with Real Estate Agents* brochure must be given
   a. to property owners upon initial contact.
   b. to all consumers prior to first substantial contact.
   c. only to buyers in a real estate transaction.
   d. to all consumers in a sales transaction no later than first substantial contact.

49. Which of the following statements is *TRUE* about the North Carolina *Working with Real Estate Agents* brochure?
   a. The consumer must sign the acknowledgment panel before a licensee can begin to provide brokerage services.
   b. Buyer agency has been created once the buyer consumer signs the acknowledgement panel.
   c. The brochure’s use is mandatory in all real estate transactions.
   d. The real estate agent must review the agency options in the brochure with the consumer.

50. All of the following situations will terminate a listing *EXCEPT*
   a. mutual agreement of the parties.
   b. breach by either party.
   c. death of the individual listing licensee.
   d. destruction of the listed property.

51. An example of a stigmatized property is a
   a. four-bedroom house with only one bathroom.
   b. house plumbed with polybutylene pipes.
   c. listing where a past owner died in the house.
   d. building with synthetic stucco siding.

52. A licensee is an actively licensed real estate broker who has a written contract with his firm that specifies that he will not be treated like an employee. The licensee’s entire income is from sales commissions rather than an hourly wage. Based on these facts, the licensee will be treated by the IRS as
   a. a real estate assistant.
   b. an employee.
   c. a subagent.
   d. self-employed.
Chapter 8: Basic Contract Law

1. A broker listed a property and shortly thereafter discovered that the client had been previously declared mentally incompetent by the court. The listing is now
   a. binding as the broker was acting in good faith.
   b. voidable by the seller.
   c. voidable by the broker.
   d. void.

2. A void contract is one that is
   a. not in writing.
   b. not legally enforceable.
   c. rescindable by agreement.
   d. voidable by only one of the parties.

3. The legal remedy to enforce the terms of a contract is known as
   a. an injunction.
   b. a lis pendens.
   c. a writ of attachment.
   d. specific performance.

4. The essential elements of any type of contract include all of the following EXCEPT
   a. offer and acceptance.
   b. agency disclosure.
   c. competent parties.
   d. legal consideration.

5. If the seller makes a counteroffer to an offer to purchase received on his property, the prospective buyer is
   a. bound by the original offer.
   b. bound to accept the counteroffer.
   c. bound by whichever offer price is lower.
   d. relieved of all offer obligations.

6. A written real estate contract is presumed to be the complete agreement of the parties to a contract because of the
   a. doctrine of caveat emptor.
   b. statute of frauds.
   c. parol evidence rule.
   d. statute of limitations.

7. Which of the following gives the BEST evidence of the buyer's intention to carry out the terms of the real estate purchase contract?
   a. The "subject to" clause
b. The agreement to seek mortgage financing
c. The earnest money deposit
d. The provision that "time is of the essence"

8. The term *rescission* is best defined as a
   a. change.
   b. cancellation.
   c. substitution.
   d. subordination.

9. All of the following are essential to the formation of a contract *EXCEPT*
   a. offer.
   b. acceptance.
   c. consideration.
   d. performance.

10. A bilateral contract is one in which
    a. only one of the parties is obligated to act.
    b. the promise of one party is given in exchange for the promise of the other party.
    c. some act is to be performed by one party only.
    d. a restriction is placed in the contract by one party to limit the performance by the other.

11. A listing broker schedules an appointment to present a purchase offer to the seller. The seller has serious health problems and her son is attending to her healthcare. When the broker arrives, he finds the seller’s son and daughter-in-law present. In the broker’s presence, both persistently urge the seller to accept the offer. The seller is reluctant to accept, since the offer is substantially less than the list price. If the seller accepts the offer under these circumstances, she may later claim that
    a. the broker should not have brought such a low offer for her property.
    b. she was under undue influence from her son and daughter-in-law, and therefore, the contract is voidable.
    c. the broker defrauded her by allowing her son and his wife to see the offer he brought to her.
    d. her consumer protection rights under anti-trust laws were violated by her son and daughter-in-law.

12. The law requiring real estate contracts be in writing to be enforceable is the
    a. writ of attachment.
    b. statute of frauds.
    c. statute of limitations.
    d. parol evidence rule.

13. If the seller breaches a purchase contract, the buyer may do all of the following *EXCEPT*
    a. sue the seller for specific performance.
b. void the contract and recover the earnest money.
c. sue the seller for damages.
d. sue the buyer’s broker for nonperformance.

14. To assign a contract for the sale of real property is to
a. record the contract with the appropriate register of deeds office.
b. permit another broker to act as a subagent for the principal.
c. transfer one’s rights and responsibilities under the contract.
d. require the seller and the buyer to record the contract.

15. The seller unintentionally misrepresented that the soil of a lot was suitable for the construction of a building at the time a buyer was negotiating the purchase of the lot for the site of a new home. After entering into a contract to purchase, the buyer learned that contrary to the seller’s statement, the soil was unsuitable for construction. This is an example of a contract that is probably
a. binding on the buyer due to the doctrine of caveat emptor.
b. voidable by the buyer because of the seller’s mistake.
c. voidable by the seller because of the mistake.
d. voidable by neither party because this was a harmless error.

16. After the buyer and seller have created a sales contract, the seller defaults. The buyer sues the seller to force contract performance. This is known as a suit for
a. specific performance.
b. damages.
c. rescission.
d. forfeiture.

17. The North Carolina law requiring real estate contracts be recorded to be enforceable against third parties is the
a. Marketable Title Act.
b. Conner Act.
c. Statute of Frauds.
d. Machinery Act.

18. A contract created under duress is
a. voidable.
b. enforceable.
c. discharged.
d. void.

19. Which of the following BEST describes a contract that is voidable?
a. The contract with no legal effect
b. The contract that is oral
c. The contract that may be valid

d. The contract that has not been signed

20. A man has posted a $100 reward for anyone who returns his missing dog. This is an example of

a. a unilateral contract.

b. a bilateral contract.

c. an implied contract.

d. a voidable contract.

21. The buyer in an installment land contract is typically NOT responsible for paying during the contract period for

a. any homeowner association dues.

b. real property taxes.

c. property insurance.

d. contract recording fees.

Chapter 9: Agency Contracts

1. A valid listing agreement may be terminated for any of the following reasons EXCEPT

a. sale of the property.

b. expiration of the individual broker’s license.

c. agreement of the parties.

d. destruction of the premises.

2. By entering into an exclusive agency listing agreement with a seller, a real estate brokerage firm

a. is not entitled to receive a commission if another agency finds a buyer for the property.

b. has become the seller’s designated agent.

c. has become the exclusive agent of the seller, but is not entitled to receive a commission if the seller finds a buyer for the property.

d. has agreed to renegotiate commission with the seller should another agency offer a lower commission rate.

3. The provision in a listing agreement that may obligate the seller to pay the listing firm a commission after the expiration date of the listing is the

a. compensation clause.

b. override clause.

c. marketing clause.

d. open listing clause.

4. A building sold for $157,000 with a listing commission rate of 6 percent. The individual listing broker got 10 percent; the brokerage firm and the individual selling broker equally split the balance. The individual listing broker’s share is
5. The type of listing agreement that provides for the payment of a commission to the broker even though the owner makes the sale without the aid of the broker is called an
   a. exclusive right to sell listing.
   b. open listing.
   c. exclusive agency listing.
   d. alternative two listing.

6. A property owner lists a property for sale with a broker. The owner told the broker during the listing negotiations that he wanted $138,000 for the property, and anything above that amount the broker could keep as commission. The listing with this type of provision is known as
   a. gross listing.
   b. net listing.
   c. open listing.
   d. nonexclusive listing.

7. The owner of listed property can sell the property on her own without having to pay the listing broker a commission under which of the following listing agreements?
   a. Exclusive right to sell listing agreement
   b. Exclusive agency listing agreement
   c. Net listing agreement
   d. Multiple listing service listing agreement

8. A property owner signed a 90-day listing agreement with a broker. The owner was killed in an accident before the listing expired. Now the listing is
   a. binding on the owner's spouse for the remainder of the 90 days.
   b. still in effect as the owner's intention was clearly defined.
   c. binding only if the broker can produce offers to purchase the property.
   d. terminated automatically upon the death of the principal.

9. A listing contract in which the broker's commission is contingent on the broker being able to produce an acceptable buyer before the property is sold by the owner or another broker is called
   a. an open listing.
   b. a net listing.
   c. an exclusive right to sell listing.
   d. an exclusive agency listing.

10. All of the following are typical provisions of a listing agreement EXCEPT
    a. the price the seller is asking for the property.
    b. the responsibilities of the buyer.
c. the responsibilities of the broker.
d. the compensation to be paid to the listing broker.

11. The type of listing agreement that provides the LEAST assurance of earning a commission to the listing broker is the
   a. exclusive right to sell listing.
   b. exclusive agency listing.
   c. open listing.
   d. net listing.

12. If a seller needs to net $50,000 after the sale of a property, what is the minimum acceptable sales price if the selling expenses include a 7 percent commission and $1,200 in additional settlement expenses?
   a. $53,763.44
   b. $54,784.00
   c. $55,053.76
   d. $55,633.25

13. A seller refused to pay a commission to the broker even though there was a valid listing agreement and the broker procured a buyer for the property. What can the broker do to collect his firm’s compensation?
   a. File suit in civil court against the seller
   b. File suit in criminal court
   c. File a complaint with the state real estate commission
   d. Collect the commission from the buyer

14. Under an exclusive agency listing, the listing broker would be entitled to a commission in all the following situations EXCEPT
   a. broker buys the property personally.
   b. property is sold through another broker.
   c. property is listed in a multiple listing service.
   d. seller sells the property to a real estate licensee.

15. A listing firm would be entitled to commission in all of the following situations EXCEPT
   a. the seller’s spouse refuses to sign deed at settlement.
   b. the seller insists on contract terms not in the listing agreement.
   c. the seller has a change of mind after contract formation and refuses to complete the transaction.
   d. the seller refuses to sign an offer that is not for the full listing price.

16. A typical listing agreement may be terminated by all of the following EXCEPT
   a. mutual agreement.
   b. operation of law.
c. because the seller can't find another house to buy.
d. because of impossibility of performance.

17. The seller wants to net $165,000 after paying the broker a fee of 6 percent of the sales price. What is the minimum acceptable gross sales price to the nearest dollar?
   a. $169,850
   b. $174,900
   c. $175,532
   d. $178,745

18. The broker enters into a listing agreement with a seller in which the seller will receive $12,000 from the sale of a lot and the broker will receive any sale proceeds over this amount as brokerage compensation. This type of listing is
   a. a gross listing.
   b. an open listing.
   c. an exclusive agency.
   d. a net listing.

19. An owner lists a property for sale with a broker. A different broker finds an acceptable buyer for the property. The listing broker was not entitled to receive a commission from the sale. The type of listing contract was most probably an
   a. exclusive right to sell listing agreement.
   b. exclusive agency listing agreement.
   c. open listing agreement.
   d. alternative two listing agreement.

20. The property was listed with two different brokerage companies under open listing agreements. Both firms claim entitlement to a commission from the sale of the property. The broker who is entitled to the commission is the one who
   a. listed the property first.
   b. advertised the property most diligently.
   c. obtained the highest offer.
   d. was the procuring cause of the sale.
21. Which of the following statements is \textit{TRUE} about the North Carolina Residential Property Disclosure Act?
   a. All agents in the transaction should facilitate the timely delivery of the property disclosure report to the buyer.
   b. The property owner must disclose the condition of the listed property or be subject to a 3-day rescission period on any contract formed.
   c. All residential sellers are subject to this Act even if a broker is not involved in the transaction.
   d. Buyers must receive the completed disclosure report no later than the beginning of the due diligence period.

   a. property owners must provide the property report only when their property is listed with a real estate firm.
   b. the property report information must be kept current.
   c. buyers can rescind any resulting contract for seven days if they did not receive the property report in a timely manner.
   d. listing agents can complete the property report on behalf of the seller.

23. According to the North Carolina Real Estate Commission’s \textit{Residential Square Footage Guidelines},
   a. residential square footage is measured externally.
   b. heated living area square footage is a material fact.
   c. stairs count only on the lower level for square footage.
   d. area must heated and air conditioned to be counted.

24. A broker has been trying for several weeks to acquire a listing on a spectacular home. The owners have been interviewing agents from different firms. The owners inform the broker that another firm has offered to list the property for 2 percent less commission than the broker. What would be an appropriate response for the broker in an attempt to persuade the seller to list with his firm?
   a. “Many agents will not show that firm’s listings because of their low commission fees.”
   b. “Most brokers in the area, including my firm, charge a standard rate.”
   c. “That firm cannot provide good services due to their low fees.”
   d. “Although that firm may provide good services in marketing sellers’ properties, please be sure to compare our list of services.”

25. Antitrust laws prohibit all of the following \textit{EXCEPT}
   a. property management companies standardizing management fees.
   b. brokers allocating markets based on the value of homes.
   c. real estate companies agreeing not to cooperate with a broker because of the fees that broker charges.
   d. a broker requiring all the agents of his firm to join the local listing service.
26. A broker was accused of violating antitrust laws. She may be guilty of
   a. not posting an equal housing opportunity sign in her office.
   b. undisclosed dual agencies.
   c. allocation of customers or price fixing.
   d. dealing in unlicensed brokerage services.

27. A phone call from a licensee to which of the following people that are registered
   on the Do-Not-Call Registry will probably be a violation of the Do-Not-Call
   laws?
   a. An expired MLS listing with another firm
   b. A seller-client that closed one year ago
   c. A for-sale-by-owner about your buyer’s interest in their property
   d. A home inspector about a property inspection

**Chapter 10: Sales Contracts and Practices**

1. A broker who represents a seller under an exclusive listing receives two offers for
   the property at the same time, one from a buyer-client of the firm and one from a
   buyer-customer. How should the broker handle the offers?
   a. Submit the offer from the broker’s firm first.
   b. Submit the offer from the other firm first.
   c. Submit the higher offer to the seller first.
   d. Submit both offers to the seller at the same time.

2. A North Carolina provisional broker obtained an offer for a property listed with
   his firm along with a check for earnest money. The provisional broker should
   a. give the earnest money check to the sellers within three banking days of
      their acceptance of the offer.
   b. hold the check until the settlement meeting.
   c. deposit the check into his trust account within three days of acceptance.
   d. immediately turn the check over to his broker-in-charge.

3. The amount of earnest money deposit is determined by
   a. the Real Estate Settlement Procedures Act.
   b. an agreement between the parties to the contract.
   c. the broker's office policy on such matters.
   d. the listing agreement.

4. A conventional option contract
   a. requires the optionee to complete the purchase within the specified time
      period, *time being of the essence*.
   b. gives the optionee an easement on the property.
   c. allows negotiation of better terms during the option period; yet the seller
      remains bound to the original contract terms.
   d. makes the seller liable for a commission.
5. A prospective buyer makes a written purchase offer through a buyer’s agent at ABC Realty. The seller accepts the offer as written. Seller communicates to a listing agent at XYZ Realty that the offer was signed. At this point in time, the
   a. seller is contractually bound.
   b. buyer is contractually bound.
   c. both parties are contractually bound.
   d. buyer can still withdraw the offer.

6. A buyer agreed to purchase a property for $230,000. The buyer gave a $7,000 earnest money deposit to the listing broker. The seller was unable to transfer clear title, so the buyer subsequently demanded the return of his earnest money. The broker should
   a. deduct her commission and return the balance to the buyer if there is no dispute of the return of funds.
   b. immediately deposit the money with the county clerk of court.
   c. return the entire amount to the buyer only if the seller does not dispute the return.
   d. retain the earnest money in the interest-bearing trust account until completion of the second interest cycle.

7. A buyer makes an offer on a $15,000 property and gives an earnest money deposit of $1,500 in the form of a personal check. The buyer then withdraws the offer before the seller can accept it. The broker should dispose of the earnest money by
   a. turning it over to the seller.
   b. deducting the commission and giving the balance to the seller.
   c. returning it to the buyer.
   d. depositing it in the broker’s trust account.

8. If an owner takes a property off the market for a definite period of time in exchange for some consideration, but grants the right to purchase the property within that period for a stated price, this is called
   a. option.
   b. contract of sale.
   c. right of first refusal.
   d. installment agreement.

9. Under the NCAR/NCBA Offer to Purchase and Contract 2-T, which of the following best describes the due diligence fee?
   a. Liquidated damages
   b. Legal consideration
   c. Good faith money
   d. Purchase price deposit
10. When a valid purchase contract is fully executed by the seller and the buyer, the
   a. seller retains reversionary rights.
   b. buyer transfers equitable title to the lender
   c. seller transfers equitable title to the buyer.
   d. buyer forfeits financing contingency rights.

11. Early in the day, a North Carolina broker received an offer on a property listed
    with his firm. A higher priced second offer for the same property was received
    later that afternoon. The broker presented the first offer to the seller that evening.
    The broker did not inform the seller about the second offer so that the seller could
    make a decision about the first offer without a distraction. Which of the following
    is TRUE?
    a. The broker's actions are permissible if the second offer is from an agent in
       the listing firm.
    b. After the first offer was received, the broker should have refused all
       additional offers until the seller accepted or rejected the first offer.
    c. The broker is in violation of license law, because the broker has no
       authority to withhold any offers from the seller.
    d. The broker is in violation of license law, because the higher priced second
       offer should have been presented and addressed first.

12. A broker has an exclusive right to sell listing on a building. An offer to purchase
    the building is received while the owner is out of town. The offer requires a
    commitment from the seller before the seller is scheduled to return to the city.
    Under these circumstances, the
    a. broker may create a binding agreement on behalf of the seller.
    b. broker may collect a commission even if the transaction falls through
       because of the seller's absence from the city.
    c. the buyer is obligated to keep the offer open until the seller returns.
    d. the broker must obtain the signature of the seller to effect a contract.

13. On Monday, the seller receives a written offer on his vacant lot for $52,000. On
    Tuesday, the seller counteroffers to sell for $54,500. On Friday, the seller
    withdraws the counteroffer and accepts the original offer of $52,000. Under these
    conditions,
    a. there is a valid agreement because the seller accepted the buyer's offer
       exactly as it was originally made.
    b. there is no valid agreement because the seller's counteroffer was a
       rejection of the buyer's original offer.
    c. there is a valid agreement because the seller accepted before the buyer
       withdrew the original offer.
    d. there is no a valid agreement because the buyer's original offer was not
       accepted within 72 hours.
14. The optionee in an option to purchase real estate
   a. has no obligation to purchase the property.
   b. must purchase the property at any time within the option period.
   c. must be willing to renegotiate contract terms during the option period.
   d. is the prospective seller of the property.

15. The listing broker receives an earnest money deposit with a written offer to
    purchase that includes a 10-day acceptance clause. On the fifth day, before the
    offer is accepted, the buyer withdraws the offer and demands the return of the
    earnest money deposit. In this situation,
    a. the buyer cannot withdraw the offer before the end of the 10 days.
    b. the buyer has the right to revoke the offer at any time until it is accepted
       and is entitled to recover the earnest money.
    c. the seller is entitled to the earnest money as *liquidated damages* and is
       required, per the standard listing agreement, to pay half to the broker.
    d. the broker may declare the deposit forfeited and retain it for services.

16. A real estate sales contract becomes valid when
    a. the written offer has been signed by both the offeror and offeree.
    b. communication of acceptance is given to the offeror or the offeror’s agent.
    c. communication of acceptance is given to the offeree or the offeree’s agent.
    d. earnest money has been deposited into the escrow agent’s trust account.

17. All of the following will terminate an offer *EXCEPT*
    a. revocation of the offer before acceptance.
    b. death of the offeror before acceptance.
    c. a counteroffer by the offeree.
    d. an offer from a third party.

18. If a broker receives a due diligence fee from a buyer under the North Carolina
    standard offer to purchase and contract, when can the seller receive the fee?
    a. When the offer is presented to the seller
    b. At the settlement meeting
    c. After the deed is recorded
    d. When a contract is created between the seller and the buyer

19. The listing agent received a full price offer that she faxed to the out-of-town
    seller. The seller signed the faxed copy, and faxed the signed copy back to the
    listing agent. The agent faxed the signed offer to the buyer’s agent. Has contract
    been formed?
    a. No, because there is not one copy that has ink signatures of both parties.
    b. No, because the buyer has not been notified of the acceptance yet.
    c. Yes, because the Uniform Electronic Transaction Act states that faxed
       signatures are as binding as ink signatures.
    d. Yes, because faxed signatures are binding for 48 hours until ink signatures
       can be obtained.
20. According to North Carolina Real Estate Commission rules, a valid sales contract can contain all the following EXCEPT
a. legal description of the property.
b. terms of the buyer’s loan.
c. brokerage compensation split.
d. how repair issues will be handled.

21. Which of the following statements is correct?
   a. A listing agent can tell a potential buyer the terms of a competing offer in order to get the best possible contract terms for a seller client.
   b. A seller’s agent can reject offers on behalf of the seller if the agent knows some of the offer terms are unacceptable to the seller.
   c. A listing agent can refuse to present a verbal offer since the statute of frauds states that real estate contracts have to be written to be binding.
   d. A listing agent can present multiple offers in any order as long as all are presented at the same time.

22. Which of the following statements is TRUE about the Due Diligence Period in the North Carolina standard offer to purchase and contract?
   a. If the buyer exercises the option to terminate, the buyer will receive a refund of their earnest money deposit and due diligence fee.
   b. During this period, the terms of the contract can be renegotiated.
   c. The buyer must explain why she wishes to terminate the contract.
   d. The seller must repair any material defects to the property that are discovered during this period.

23. During the Due Diligence Period in the North Carolina standard offer to purchase and contract, the buyer did not receive final loan approval but chose not to terminate the contract based on favorable communications from the lender. A week before closing, the buyer’s loan application is denied. If the buyer terminates the contract at this point, the buyer
   a. will forfeit the earnest money deposit, because it would be a buyer breach.
   b. will receive a refund of the earnest money, since the termination was related to financing.
   c. can be sued by the seller for specific performance.
   d. will receive a refund of the earnest money and the due diligence fee.