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JOHN W. REILLY AND PAIGE BOVEE VITOUSEK,
with Karen Stefano, Contributing Editor

Questions & Answers to Help You Pass the Real Estate Exam

NINTH EDITION

Dearborn[™]
Real Estate Education

SAMPLE

JOHN REILLY AND PAIGE BOVEE VITOUSEK, WITH KAREN STEFANO,
CONTRIBUTING EDITOR

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NINTH EDITION
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INTRODUCTION

USE THIS BOOK TO PASS THE EXAM THE FIRST TIME

This book was designed specifically for the dedicated real estate student who wants to pass the licensing examination on the first try.

You can acquire all the necessary knowledge of basic real estate principles through the classroom, the textbook, and the guidance of a skillful teacher. Even so, you may be like many examinees who still lack the confidence that they can pass the exam on the first try. This book contains tests similar to the licensing exams that can be used to practice, build confidence, discover weak areas, learn how to avoid errors, and improve test-taking time.

This workbook is ideally used

- as a supplement to the text in a basic real estate course,
- by one who has completed the real estate course and wants to review while waiting to take the state exam, or
- by one not enrolled in any formal class but who needs to refresh basic real estate ideas and concepts.

Whatever the reason, *Questions and Answers* simulates the real examination and enables you to approach the exam with complete confidence in your ability to pass.

Not all states use the same examination. The Association of Real Estate License Law Officials (ARELLO) encourages all real estate regulatory agencies to require certified examinations to test the competency of the applicant. Certified test providers include AMP, PSI, and Pearson VUE.

THE SUBJECT MATTER

This book consists of multiple-choice questions and answers divided into topics consistent with those subjects covered on most real estate licensing examinations. Each main topic has subchapters and a series of questions followed by explanatory answers. In addition, there are appendices that cover typical state-specific licensing laws, mathematics, review exams, and sample final exams for salespersons and brokers.

QUICK REVIEW GUIDE

If you find yourself with this book in hand and relatively little time in which to prepare, or if you feel you are already prepared, we suggest you first take the review quizzes and practice final examinations in the back of the book. If you miss questions on a specific topic, concentrate your remaining study time on those particular areas of the book.

We have also included specific quick review questions (designated by the shaded box) that convey the essential points from each chapter. Complete these quick

review questions as a minimum. If you have the time later, go back and complete the remaining questions.

BROKER QUESTIONS

☉ For a speedy broker review, certain broker-level questions are designated with a bull's-eye in the margin. However, broker candidates should still answer all of the questions in this book and not simply those marked with a bull's-eye. Broker tests cover the same topics as those found on a salesperson's examination and include additional questions that deal with office organization, office management, and human resource development.

Let's go over some of these types of broker questions and answers:

- If the expenses of an office, consisting of 24 full-time associates, are annually \$480,000, what is the desk cost? The solution is determined by dividing the number of full-time associates (24) into the annual expenses of \$480,000. The answer, then, is \$20,000.
- What amount is remaining after all commissions, sales, and referral fees are paid out? The answer is *company dollar*.
- If a broker wanted to avoid the possible loss of personal assets from a lawsuit against the brokerage firm as well as double taxation, the *BEST* form of business structure would be a
 - A. Chapter S corporation.
 - B. limited partnership.
 - C. sole proprietorship.
 - D. general partnership.

The answer is A, Chapter S corporation.

- The 100% commission arrangement is *MOST* advantageous to whom? The answer is an agent whose productivity is relatively high.
- Employment applications may ask for applicants'
 - A. age and race.
 - B. religion.
 - C. former places of employment.
 - D. spouse's employment.

The answer is C. former places of employment.

Also, broker candidates should pay special attention to Part D (Transfer of Property Ownership) and Part E (Real Estate Brokerage).

HOW TO USE THIS BOOK

There are two approaches that you can use to maximize your effectiveness and facilitate study and learning. It is really a matter of individual preference as to which approach is most effective for you.

One technique is like eating an elephant: take one bite at a time. Answer only five or six questions at a time, and after each set of questions, look up the answers,

then do another set, and so on. This method will build your confidence as you go along and give you immediate feedback. Sometimes, if you answer large numbers of questions at one time without looking up the answers until later, you can't remember why you made the answer choice you did.

The other technique is to answer the entire exam before looking at the answers, allowing one minute per question. Many people feel this not only builds reading speed but also allows them to compare the percentage correct with the test goal (typically 70% to 75%) and dramatically increases their confidence in their testing skills.

Whichever method is used, mark your answers on a separate piece of paper so that when you want to restudy the material, you can't see the previous answers. Likewise, if you save this paper, you can compare the results the second time around.

When you have mastered all of the chapters and appendix material, go ahead and complete the practice final examinations. Reserve enough uninterrupted time to take the final and review exams under simulated testing conditions.

A STRATEGY FOR STUDYING

- Organize your study time into two-to-four-hour segments. Cover no more than four review chapters at a time. Lengthy study sessions are less productive.
- Unfortunately, just reading the review material isn't going to prepare you for the test. To arrive at a thorough understanding of the material, it is wise to outline your study material and make up in your mind subject-related true/false questions.
- Also, after reading, use the vocabulary words from each review chapter to make flash cards and then use those cards to quiz yourself.
- In addition to using this book, if you are in a prelicensing class, form a study group with two or three others.
- The testing providers weight real estate brokerage, heavier than most of the other areas. Double your review time on agency, listings, valuation of real estate, and sales contracts.

Simulation Test-Taking Tips

- Find a quiet place (no phones or outside distractions) to take the tests in this book.
- Never leave a question blank. Narrow your choices and make an educated guess.
- Because you could outsmart yourself, don't look for trick questions. However, choosing the best answer may require you to watch out for those answers that are only partially correct.

- If the question is read carefully, first impressions are generally correct. As a general rule, don't change an answer unless you discover later that it was misread or unless a future question "triggers" your memory.
- After taking the tests in this book, check your results. Don't just evaluate those questions incorrectly answered, but review all of them. Understanding why an answer was correct and why the other choices were incorrect is the key to mastering the material.

By following these steps, you will acquire an instinct for the actual examination and gain confidence by knowing the answers to similar problems.

ACTUAL DAY OF TESTING TIPS

- It is important to realize that test anxiety is normal, so expect a few butterflies. If your testing site is near enough, consider driving there and back a week or so ahead of time to eliminate the apprehension associated with not knowing where you are going. While in the parking lot, visualize yourself sitting down and taking the exam and then walking back to your car. Let your mind visualize a positive experience.
- Get a good night's rest instead of cramming the night before the test. Eat lightly both the night before and the morning of the exam.
- Try not to pay any attention to the other candidates. Attitude is crucial. Have confidence in yourself and the fact that you are well prepared.
- For most candidates, there is an ample amount of time to take the exam. Pacing, though, is important. The test questions are all weighed the same. A simple vocabulary question is scored the same as a long, difficult math problem. Therefore, if you don't know how to work a time-taking math problem, skip it and return to it after completing the rest of the test. Knowing that you are using your time wisely helps to reduce test anxiety.
- If you are nervous, the first several questions may appear more difficult than they actually are because your concentration is off. So, start with the first question you do know and then return to those that you skipped.
- Watch out for the "none of these" solution to a math problem. It is an excellent way to tell if someone really knows how to work a problem.

For example, what is the PI payment for a \$145,000 loan, amortized over 30 years at 7% interest using a factor of \$6.65?

- A. \$864.25
- B. \$974.25
- C. \$1,064.25
- D. None of these

The answer is $145 \times \$6.65 = \964.25 .

Looking at the plausible solutions, answer D is *by default* the correct answer. If you know that you've worked a problem correctly and the solution isn't there but none of the above is one of the possible answers, feel empowered to answer the question as none of the above.

- Stopping halfway through a problem is a concern. Crucial to passing the exam is carefully reading each question and asking yourself what the question asks.

For example, if a person put 20% down on the purchase of a home and paid a one-point origination fee of \$1,500, what was the price of the home?

- A. \$102,500
- B. \$150,000
- C. \$187,500
- D. None of these

Ask yourself, “What does the question ask me to solve?” Answer: the question wants me to compute the price of the home, *not the loan amount*.

To solve the problem, though, you must compute the loan amount first, and this amount is used as a detractor in the answer key. By not being careful, you could stop halfway and assume that you have answered correctly because the answer calculated appears as one of the answers.

To solve the problem, $\$1,500 \div 1\% = \$150,000$. Next, the \$150,000 must be divided by 80% in order to answer the question, *what is the price of the home?* $\$150,000 \div 80\% = \$187,500$. In order to ensure that the math problem was worked correctly, it is always a good habit to work it backwards. $\$187,500 - 20\% = \$150,000 \times 1\% = \$1,500$.

- Another math trick is to use the answer key and work each one of the stated answers backward until discovering the correct answer. The process of elimination takes time, but if you understand that one of the answers has to be correct, it is a good trick to remember.
 - A. $\$102,500 - 20\% = \$82,000 \times 1\% = \$820$ Wrong answer
 - B. $\$150,000 - 20\% = \$120,000 \times 1\% = \$1,200$ Wrong answer
 - C. $\$187,500 - 20\% = \$150,000 \times 1\% = \$1,500$ Right answer
 - D. None of these Wrong answer
- Watch for superfluous facts that are not needed to answer the question and be prepared to make a value judgment on those questions that ask for the best answer.
- Because questions are industry related, you have to really know your real estate vocabulary. The day before the test, spend at least two hours reviewing the vocabulary from each chapter.
- On a final note, beware of test questions that give you two right answers. Be sure to read every answer for the *best* response, not necessarily a *right answer*. For example, if a question asks you to compute for a homeowner’s monthly tax but you select the solution that correctly describes the annual tax, you’ll be wrong because it asked for monthly, *not* annually. Another example might ask, if a broker discharged a salesperson, the real estate license should be (A) returned to the real estate commission, or (B) returned to the real estate commission by the broker. Solution (B) is the *best* response even though solution (A) also is correct.

ABOUT THE AUTHORS

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PART

Real Property and Laws Relating to Ownership

This part contains questions on the topics of

- the legal concepts of real property;
- ways title to property may be held;
- the role of encumbrances, easements, and restrictions on property ownership;
- the government's rights and restrictive powers; and
- aspects of condominium and cooperative ownership.



Expect about 20% of the national portion of the examination to contain questions on the topics covered in Part A.

1

Interests in Real Property

Although houses in a neighborhood might look the same, each property is unique. The real estate agent needs to understand what bundle of rights attaches to each property and a title report provides helpful information and insight on those rights.

Property describes the rights or interests a person has in the thing owned, commonly called the “bundle of rights,” which includes the right to possess, to use, to encumber, to transfer, and to exclude. Property is either personal or real. It is important to distinguish between real and personal property, because the law treats them differently for purposes of transferring ownership, taxes, probate, and enforcement of liens.

The interest one acquires in real property is called an *estate*, reflecting one’s “status” of ownership. It describes the degree, nature, quantity, and extent of a person’s interest in property. There are “freehold” and “leasehold” estates.

Freehold estates are those with an ownership interest, while leasehold estates are those that a tenant has a right to occupy but doesn’t actually have an ownership interest. Chapter 18 discusses leasehold estates in more detail.

Questions in this chapter will test your comprehension of the following topics:

- Estates and interests in real property, such as fee simple and life estates
- The difference between fixtures and personal property
- The effect of riparian and littoral rights on ownership
- The creation of interests in real property under a last will and testament

KEY WORDS

appurtenance—A right or improvement belonging to, and passing with, the land. For example, an easement appurtenance gives a right to one owner to use the other owner's property for ingress and egress. Another example would be a home that has a detached garage. For insurance purposes, the detached garage would be considered an appurtenant structure.

bundle of rights—An ownership concept describing all those legal rights that attach to the ownership of real property, including the right to sell, lease, encumber, use, enjoy, exclude, will, etc.

business broker—Someone who lists and sells businesses devoid of the real estate. They operate under regulations outlined in the Uniform Commercial Code. Article 6 of the Code regulates bulk transfers, the sale of a business as a whole, including trade fixtures, chattels, and merchandise.

chattel—Another name for personal property; chattel includes objects not contained in the definition of real property. Personal property is transferred by use of a bill of sale.

defeasible fee estate—A qualified estate in which the grantee could lose his interest upon the occurrence or non-occurrence of a specified event. There are two types of defeasible estates, those known as a condition subsequent where the possibility of re-entry takes place, and a qualified limitation, where the grantee's ownership automatically ends with the possibility of reverter (aka a fee simple determinable). The words *so long as*, or *while*, or *during* are key to creating this second kind of defeasible estate.

devise—The gift of real property by will. The donor is the deceased and the recipient is called a devisee.

emblems—Growing crops that are produced annually through labor and industry, also called annuals or *fructus industriales*. At harvest time, corn and soybeans would be examples of emblems, and, unless otherwise agreed, ownership would belong to the party who planted the crop.

escheat—The reversion of private property to the government in cases where the decedent dies without a will or without any heirs capable of inheriting, or when a property is abandoned.

fee simple—The largest estate one can possess in real property. A fee simple estate is the least limited interest and the most complete and absolute ownership in land: it is of indefinite duration, freely transferable, and inheritable.

fixture—An article that was once personal property but has been so affixed to the real estate that it has become real property (e.g., stoves, bookcases, plumbing). If determined to be a fixture, then the article passes with the property even though it is not mentioned in the deed.

intestate—To die without a valid will.

less-than-freehold estate—An estate held by one who rents or leases property. This classification includes an estate for years, a periodic tenancy, an estate at will, and an estate at sufferance. See Chapter 18 for a detailed explanation of these types of leasehold estates.

life estate—Any estate in real or personal property that is limited in duration to the life of its owner or the life of some other designated person. Life estates may be created by will or deed, and stipulate what happens after the termination of the life tenant's life estate. The property could revert back to the original grantor or grantor's heirs (life estate in reversion) or it could pass in remainder to a designated remainderman (life estate in remainder).

littoral rights—A landowner's claim to use of the body of water bordering his or her property as well as the use of its shore area. Littoral rights examples include ownership along large bodies of water like lakes or oceans. Riparian rights are water rights of owners of real estate along moving bodies of water, such as navigable streams and rivers.

probate—The formal judicial proceeding to prove or confirm the validity of a will. The will is presented to the probate court, and creditors and interested parties are notified to present their claims or to show cause why the provisions of the will should not be enforced by the court.

property—The rights or interests a person has in the thing owned; not, in the technical sense, the thing itself. These rights include the right to possess, to use, to encumber, to transfer, and to exclude, commonly called the *bundle of rights*.

real property—All land and appurtenances to land, including buildings, structures, fixtures, fences, and improvements erected upon or affixed to the same, excluding, however, growing crops.

riparian rights—Those rights and obligations that are incidental to ownership of land adjacent to or abutting on watercourses, such as streams and lakes.

situs—The economic and personal preference for one location of real estate over another.

tenement—Rights in the land that pass with the conveyance. In an easement by mutual agreement, the servient tenement is obligated to allow the dominant tenement to use his or her land for ingress and egress, and transfers the same obligation to any new buyer for the property. Likewise, the dominant tenement passes on his *right of way* when the dominant tenement's parcel is sold.

MISTAKEN IDENTITY

The following words are often confused with one another. Note the difference in meaning of these mistaken identity words and phrases.

administrator/executor—An administrator is assigned by the courts to administer a decedent's estate, while an executor is named in a decedent's will to execute the decedent's last will and testament.

remainder/reversion—At the termination of a life estate, the property may revert back to the grantor (reversion) or transfer away from the grantor when a third party remainderman is designated. The remainder is the remnant of an estate that has been conveyed after the termination of a prior estate.

executor/testator—A testator writes a will, whereas an executor (also called a *personal representative*) executes or carries out the terms of the will after the testator dies.

devise/demise—A devise is a transfer of real property by will; a demise is a transfer by lease of the (demised) premises.

testate/intestate—To die with a will is to die testate; to die without one is to die intestate (in which case the state writes the will).

QUESTIONS

1. When a deed does *NOT* specify the estate being conveyed, it is presumed to transfer
 - A. a defeasible fee.
 - B. a fee simple absolute.
 - C. an estate for years.
 - D. a life estate.
2. Possession, control, and enjoyment are included in
 - A. deed restrictions.
 - B. the statute of frauds.
 - C. the bundle of legal rights.
 - D. an appurtenance.
3. ☉ If Alycia deeds property to Bernice and her heirs, with the stipulation that if Bernice leaves no heirs the property will then go to Cynthia, then Cynthia now holds which type of estate?
 - A. Contingent life estate
 - B. Contingent reversion fee
 - C. Contingent remainder fee
 - D. Reversionary interest
4. In a deed that states “to Jonathon for his life,” the grantor has what type of interest?
 - A. Life estate
 - B. Remainder
 - C. Reversion
 - D. Right of reentry
5. A life estate may be granted
 - A. only when it is for the duration of the grantee’s life.
 - B. for the duration of the life of someone other than the grantee.
 - C. for a definite term.
 - D. only to a grantee over the age of majority.
6. A freehold could be any of the following *EXCEPT*
 - A. a life estate.
 - B. a fee simple estate.
 - C. an estate for years.
 - D. a defeasible fee estate.
7. Fee simple is all of the following *EXCEPT*
 - A. an estate of inheritance.
 - B. a freehold estate.
 - C. a less-than-freehold estate.
 - D. indefinite as to its duration.
8. A hospital receives a gift of real property from an elderly couple who reserve to themselves a life estate. The hospital is the
 - A. grantor.
 - B. remainderman.
 - C. reversionary party.
 - D. donor.
9. Which of these activities can the owner of a life estate *NOT* do?
 - A. Sell
 - B. Mortgage
 - C. Devise
 - D. Lease
10. A widow who is willed the use of the family home for the rest of her natural life, with provision that title shall pass to the children upon her death, holds
 - A. a fee simple estate.
 - B. a leasehold.
 - C. an easement.
 - D. a life estate.
11. ☉ Which statement is *TRUE* regarding a life estate?
 - A. It must be measured by the life of one person only.
 - B. Because it is based on life, it may not be encumbered by the holder.
 - C. It may be created by will or deed.
 - D. It requires that the holder make principal payments on any encumbrances.
12. The degree, quantity, or nature of a person’s interest in real property is called his
 - A. estate.
 - B. dower.
 - C. curtesy.
 - D. possession.

13. The return of land to the grantor or grantor's heirs when the grant is over is *BEST* described as
- remainder.
 - reversion.
 - kickback.
 - surrender.
14. An estate in land vested in a grantee "until she marries" is properly classifiable as
- an estate in equity.
 - a defeasible fee.
 - less than a freehold estate.
 - a life estate.
15. An example of a less-than-freehold estate is
- a life estate.
 - a leasehold estate.
 - an estate on condition subsequent.
 - a mortgaged estate.
16. With respect to real property, the term *estate* is *BEST* described as
- all property left by the deceased.
 - a bequest of a specific property in a will.
 - fee simple ownership of property.
 - the nature and degree of an interest in real property.
17. Which statement provides the greatest assurance that you are getting fee simple ownership?
- The owner will give a general warranty deed.
 - The owner can furnish title insurance.
 - The deed contains the covenant of seisin.
 - The habendum clause states that a fee estate is what is being conveyed.
18. Who usually selects the administrator of an estate?
- The executor
 - The testator
 - The heirs
 - The probate court
19. Which of these characteristics does *NOT* describe a fee simple estate?
- Freely transferable
 - Freely inheritable
 - Definite duration
 - Unlimited duration
20. A man dies without leaving a valid will. He is said to have died
- intestate.
 - in fee simple defeasible.
 - probate.
 - via devise.
21. A woman possesses a fee simple estate. Which of the follow can she *NOT* do to the property?
- Sell it
 - Subdivide it
 - Use it contrary to zoning regulations
 - Will it
22. A farmer sold a portion of his farm to a railroad company with the condition "as long as it remains a rail line." In the event of abandonment, the rail line property would revert back to the farmer or the farmer's heirs. What type of estate is described in this scenario?
- Life estate
 - Fee simple determinable
 - Tenancy at will
 - Tenancy at sufferance
23. The largest estate or ownership in real property is
- an estate at sufferance.
 - an estate at will.
 - a life estate.
 - a fee simple estate.
24. ☉ The holder of which of the following would be a "nonfreeholder?"
- Life estate
 - Defeasible fee
 - Unrecorded vendor's deed
 - Estate for years

25. Which of the following can the grantor of a life estate *NOT* do?

- A. Grant title using an assumed name
- B. Receive title upon the death of the life tenant
- C. Take back fee title at any time
- D. Create a life estate for the life of more than one person

26. A licensee is concerned about a construction project going on next to a property she is selling. Where would she be *BEST* advised to go to clarify any question about an encroachment?

- A. City attorney
- B. Planning department
- C. Licensed surveyor
- D. Tax office records

27. An owner sold a parcel of real estate to a buyer with the stipulation that the buyer was not allowed to sell alcohol from the premises. The buyer sold the property 10 years later to a buyer who converted the building into a convenience store that sold beer. Should the owner or owner's heirs claim a right of re-entry, what would be the basis for the lawsuit?

- A. Violation of a covenant
- B. Violation of a condition subsequent
- C. Violation of a condition precedent
- D. Violation of the statute of frauds

28. An example of personal property is

- A. household furnishings.
- B. wall-to-wall carpeting.
- C. a built-in dishwasher.
- D. a garbage disposal.

29. Which of the following is typically personal property?

- A. Gas and mineral rights
- B. Water rights
- C. A beneficiary's rights under a real property trust
- D. Trees on a farm

30. Which of the following *BEST* defines real property?

- A. Land and the air above it
- B. Land, the area below and above the surface to infinity, and all the improvements thereon
- C. The land, buildings thereon, and anything permanently affixed to the land and/or buildings
- D. Land and the mineral rights in the land

31. Generally, things or objects of a temporary or easily movable nature are

- A. realty.
- B. devices.
- C. personalty.
- D. appurtenances.

32. Assume the contract for the sale of real property includes the sale of certain removable items, such as paintings and furniture. Upon delivery of the deed, the seller also should deliver

- A. a bill of sale.
- B. an estoppel certificate.
- C. a chattel mortgage.
- D. a satisfaction piece.

33. Which of the following is *NOT* an appurtenance?

- A. A barn
- B. An orchard
- C. A fence
- D. A trade fixture

34. The *MOST* important factor in determining whether something is a fixture is

- A. the method of its attachment.
- B. its size.
- C. its weight.
- D. the intention of the party who attached it.

35. Which of the following is *NOT* required for a valid bill of sale?

- A. The seller's signature
- B. A description of the items
- C. The date of the transaction
- D. The buyer's name

36. Which term *BEST* describes personal property?
A. Chattel
B. Appurtenance
C. Fixture
D. Improvement
37. ☉ Littoral property is located on
A. a hillside.
B. the seashore.
C. the boundary line.
D. a stream.
38. In real estate, the term *improvements* most nearly means
A. fences, wells, drains, and roadways.
B. additions to the original structure.
C. everything artificial or constructed except the land.
D. upgrades to the interior.
39. The rights of ownership, including the right to use, possess, enjoy, and dispose of a thing in any legal way so as to exclude everyone else without rights from interfering, are called
A. corporeal ownership.
B. incorporeal ownership.
C. bundle of rights.
D. survivorship.
40. An appropriation of land for some public use made by the owner and accepted for such use by or on behalf of the public, such as streets in a platted subdivision, is called
A. an easement.
B. dedication.
C. a public grant.
D. condemnation.
41. An owner of real property is in doubt whether riparian rights are included. This can *BEST* be determined by reviewing the
A. water department records of the county recorder.
B. title policy.
C. grant deed.
D. appropriate state law.
42. ☉ The boundary of a property is changed by
A. accretion.
B. avulsion.
C. encroachments.
D. construction of a fence.
43. A riparian owner is one who owns land bounding on
A. municipal property.
B. a waterway.
C. a national forest.
D. unsurveyed public lands.
44. In a physical sense, real estate may be said to include everything *EXCEPT*
A. the surface of the earth.
B. the air above the surface.
C. personal property.
D. the subsurface.
45. Riparian rights are those rights possessed by
A. an owner living in a townhouse subdivision.
B. an owner living on a waterway.
C. an owner entitled to ripened fruit from crops.
D. owners of land granting easements for city water pipes.
46. The removal of land when a stream suddenly changes its channel is
A. adverse possession.
B. breach.
C. avulsion.
D. accretion.
47. ☉ A landowner who sells a one-acre farm must
A. specifically reserve the mineral rights therein, or they will automatically pass to the buyer.
B. specifically describe the air rights in the deed for the buyer to gain title thereto.
C. sign a quitclaim deed to release air rights.
D. release any riparian rights.

48. © A woman receives a gift of real property by will. The woman is called
- A. intestate.
 - B. probate.
 - C. a devisee.
 - D. chattel.
49. The loss of one's real estate by the gradual wearing away of soil through the operation of natural causes is
- A. erosion.
 - B. escheat.
 - C. curtilage.
 - D. obsolescence.
50. An important characteristic of land is that it may be modified or improved. Such improvements tend to increase the value of real estate. Which of the following is *NOT* an improvement?
- A. A new access road
 - B. Utilities
 - C. A new house
 - D. Planted crops
51. Which of these types of property is *NOT* normally real property?
- A. Water rights
 - B. Appurtenances
 - C. Air space rights
 - D. Furniture
52. Riparian rights are *BEST* described as those rights
- A. specifically granted for a specified source of water.
 - B. found in the records of the county recorder's office.
 - C. an owner has from a natural watercourse abutting or crossing the land.
 - D. obtained by the purchase of fixtures.
53. An example of a right, privilege, or improvement that belongs to and passes with a property is described as
- A. an emblem.
 - B. an appurtenance.
 - C. a restriction.
 - D. an encroachment.
54. The term *fee* used in connection with real property means
- A. the money charged by a broker for services rendered.
 - B. an estate of inheritance.
 - C. the charge made for searching title.
 - D. leased land.
55. The rights to the space above the ground within vertical planes are *BEST* described as
- A. air rights.
 - B. the bundle of rights.
 - C. solar rights.
 - D. riparian rights.
56. Crops that grow on land and require annual planting and cultivation are called
- A. emblements.
 - B. fructus naturales.
 - C. real property.
 - D. fixtures.
57. © All rights in the land that happen to pass with the conveyance of the land are *BEST* described as
- A. reversion interests.
 - B. warranties.
 - C. tenements.
 - D. reservation interests.
58. Items that are affixed as appurtenances to land are usually real property. Which of these items is *NOT* real property?
- A. Growing trees
 - B. Trade fixtures
 - C. Buried water tanks
 - D. Buildings
59. A man dies testate, leaving a wife and minor son. He leaves all of his property to his son. His wife claims her elective share under the Uniform Probate Code. How will the man's property be distributed?
- A. All to the wife
 - B. All to the son
 - C. Part to the wife and part to the son
 - D. None to the wife

60. A man who makes a will is called
- a testator.
 - an executor.
 - a testatrix.
 - an administrator.
61. In a building, ceiling tiles that drop into a metal frame are considered
- real property.
 - trade fixtures.
 - fixtures.
 - personal property.
62. A devisee receives
- real property by will.
 - personal property under a bill of sale.
 - property by escheat.
 - property through foreclosure.
63. The term *intestate* MOST nearly means to die
- leaving a will.
 - without leaving a will.
 - without leaving an heir.
 - leaving property to the state.
64. Real property conveyed by a codicil to a will is conveyed by
- demise.
 - devise.
 - decree.
 - degree.
65. *Probate* means an action to
- cure a defect by a quitclaim deed.
 - prove title by adverse possession.
 - process a will to establish its validity.
 - process a partition of property.
66. A devise is a
- gift of real estate.
 - trust in perpetuity.
 - real estate gift by last testament.
 - plan or scheme of development.
67. The property of a person who dies intestate passes by
- succession.
 - accretion.
 - acquisition.
 - prescription.
68. When a person dies intestate and no heirs can be found for intestate succession, the real property will revert to the government through a process called
- reconveyance.
 - reversion.
 - escheat.
 - succession.
69. When a person dies testate, the real property
- escheats and is sold at an auction by the state.
 - goes to the next of kin.
 - passes to the devisee.
 - goes to the administrator.
70. Which of the following is *NOT* personal property bestowed in a will?
- A codicil
 - A gift
 - A bequest
 - A legacy
71. Title to an owner's real estate can be transferred at the death of the owner by
- warranty deed.
 - special warranty deed.
 - trustee's deed.
 - last will and testament.
72. The term *escheat* refers to the
- feudal custom of the king's seizure of land.
 - right of the government to take private property for a public purpose upon payment.
 - acquisition of title by adverse possession.
 - right of the government to acquire title where the owner dies without a will and without heirs.

73. In probate of an estate, which of the following is the last to receive payment, if any?
- Holder of the second mortgage
 - Creditors
 - Heirs
 - The government for taxes
74. Which of the following words is *NOT* associated with the others in the group?
- Testator
 - Devise
 - Intestate
 - Will
75. What document is prepared to evidence that personal property is pledged to secure a loan?
- Bill of sale
 - Chattel mortgage
 - Bargain and sale deed
 - Partial release
76. Which of the following instruments does *NOT* transfer an interest in real property?
- An option
 - A lease
 - A bill of sale
 - An agreement of sale
77. © A man executed a will. After his death, the probate court declared the will invalid because it did not meet the state law requirements. Who will receive title to the man's real estate?
- The devisees named in the will
 - Those entitled under the state laws of intestate succession
 - The property escheats to the state
 - The previous owners of the property
78. Who usually selects the executor of an estate?
- Probate court
 - Administrator
 - Testator
 - Heirs
79. A man died without a will and with no surviving relatives. His four-acre farm will
- escheat to the government.
 - revert back to the original grantor.
 - go to a testatrix.
 - pass to the man's devisees.
80. Under which condition would a property owner have riparian rights?
- When minerals are discovered under the land
 - When the land is contiguous to a stream
 - When the property is in a geothermal area
 - When the property borders on the ocean
81. When a person dies testate, her real property will
- escheat to the government.
 - pass to the next of kin.
 - descend to the survivors.
 - pass to the devisees.
82. © Which statement is *FALSE* about a party wall built on the property line between two lots?
- Each owner is responsible for one-half of the maintenance fees.
 - Each owner owns the half of the wall on his or her side and has an easement on the other half.
 - Only one owner is responsible for the maintenance on the wall.
 - Neither owner may destroy the wall without the other's permission.
83. © The main purpose of the Uniform Commercial Code is to
- prevent fraud in the proof of oral sales contracts.
 - regulate personal property items pledged in a sales contract.
 - make real property transactions more uniform.
 - regulate commercial leasing.

84. Which of the following *BEST* describes the difference between an administrator and an executor?
- A. An administrator is assigned by the courts to administer a decedent's estate while an executor is named in a decedent's will to execute the decedent's last will and testament.
 - B. An administrator is a devisee, while an executor is not.
 - C. An administrator is a testator, while an executor is not.
 - D. An executor has riparian rights, while an administrator does not.
85. A business owner found a location to open a donut shop. The space allowed for drive-through business and was located on a highway just north of town leading to a large employment city. What economic concept was the owner using to locate the donut shop?
- A. Indestructibility
 - B. Immobility
 - C. Situs
 - D. Uniqueness

ANSWERS

1. **B.** While a defeasible fee (one subject to a condition) and a life estate can be transferred by deed, they must be clearly specified. An estate for years is transferred (demised) by lease. A fee simple absolute is one that is not qualified (or conditional).
2. **C.** Possession, control, enjoyment, exclusion, and disposition are the bundle of legal rights that come with ownership of real property.
3. **C.** A reversionary interest under choice (D) is when the property will return to the grantor or the grantor's heirs. Here, the property will "remain" away from the grantor and Cynthia will be the fee owner, provided that (contingent upon) Bernice dies leaving no heirs. Remainders are either vested (owned now) or contingent.
4. **C.** When Jonathon dies, his life estate ends, and the property will revert back to the grantor. Rights of reentry are found in leases and also in a fee simple subject to a condition subsequent in which the condition is broken or violated.
5. **B.** The measuring life for a life estate can be that of someone other than the grantee—Abe to Ben for the life of Carl. Thus, upon Carl's death, the property will revert back to Abe. If Ben predeceases Carl, Ben's heirs will have an interest in the property until Carl dies. This is called an *estate pur autre vie*.
6. **C.** An estate for years is a leasehold. Next to the fee simple absolute and the defeasible fee, the life estate is the most common freehold estate today. While it is not an estate of inheritance, it is an estate for an indefinite, or unpredictable, duration.
7. **C.** One of the key features of a fee simple is that the property can continue in the same family line through inheritance. The two most popular forms of freehold estates are fee simple (including absolute and conditional fees) and life estates.
8. **B.** After the death of both spouses, the life estate will end and ownership will remain away from the grantor's estate. The hospital's remainder interest then will ripen into a fee simple absolute estate. Here is another way to remember what a remainder estate is—it is the estate that remains after the existing life estate terminates.
9. **C.** A devise is a transfer by will (do not confuse with demise, which is a transfer by lease), but there is no estate left for heirs after the owner of the life estate (life tenant) dies. Because the buyer, lender, and lessee take their interest with knowledge, subject to the life estate, their interests cease when the life estate ceases. Lenders rarely lend on a life estate; if they do, they may require a term life insurance policy or an agreement with the remainderman as further security. Incidentally, any buyer of a life estate would then own a "life estate pur autre vie."
10. **D.** During her life, she has ownership of a life estate. Her children have a remainder interest. Despite having ownership rights in the property, the widow can't commit "waste," such as tearing the structure down or converting it into a triplex rental.

11. **C.** Life estates are frequently created by will—the husband leaves the home to his wife for life and then to their children. There could be several “life tenants, or the survivor of them.” The owner of the fee (grantor of life estate) is responsible for any mortgage principal payments, but the life tenant is responsible for carrying charges, such as interest, taxes, and maintenance.
12. **A.** This is the classic definition of *estate* (Latin for “status”). It ranges from absolute ownership to mere possession.
13. **B.** A *reversion* occurs when the land returns to the grantor or heirs of the grantor. A *remainder* occurs when the land remains away from the grantor or heirs.
14. **B.** This is a freehold estate in fee simple, which can be terminated upon the happening of an event such as marriage. It also is called a *determinable fee* or *qualified fee*.
15. **B.** Leaseholds are less than freehold based on ancient feudal classifications in which only “freemen” had protection of the courts and the serfs had no interest in land, although they had possession under leases.
16. **D.** (A) and (B) could include personal property, and (C) is just one example of an estate.
17. **B.** Under (A) and (B) you would have a claim for money damages if it turned out the grantor did not have the title as promised. There is more assurance of recovering money from the title company than from a grantor. For example, perhaps some defect in the title, owing to some off-record risk (such as forgery in the chain of title), prevents clear ownership of title. Title insurance companies only insure the title subject to stated exceptions; they cannot correct the actual defects that may be found in the title. Also, under (C), a deed could be used to transfer a life estate, which is not fee simple ownership.
18. **D.** The probate court assigns an administrator to administer the estate of those who die intestate.
19. **C.** It is indefinite in time; unless conveyed to another, it will come to an end only in the event the owner dies without having left heirs or a valid will (in which case escheat occurs).
20. **A.** When a person dies without leaving a valid will, he is said to have died intestate.
21. **C.** All but (C) are within the “bundle of rights.” The woman has a fee simple estate. She may not violate the governmental limitations.
22. **B.** This is an example of a fee simple determinable estate. The farmer sold a portion of his farm to the railroad company with the condition, *as long as it remains a rail line*. In the event of abandonment, the rail line property would revert back to the farmer or the farmer’s heirs.
23. **D.** The largest bundle of rights attaches to a fee simple estate.

24. **D.** An estate for years is the only “less-than-freehold” estate listed here. An unrecorded vendor’s (seller) deed would transfer a freehold estate, provided the grantor owned one and there was valid delivery (recording is advised but not required).
25. **C.** Grantors should grant title using the same name in which they acquired title. If they don’t, this may cause title search problems. However, all that is required for a valid transfer is delivery, and that involves the intention of the grantor to relinquish all control to the grantee. Under choice (B) the grantor can structure the transfer so he or she keeps a reversionary interest. A life estate can be for the life of more than one person.
26. **C.** While public records may contain maps of the proper boundaries, these records do not usually reveal any encroachments, such as a fence two feet over a line. The licensee should retain a surveyor to verify the boundaries and reveal any encroachments.
27. **B.** This is a condition subsequent. The owner sold the parcel of real estate to the buyer with the stipulation that the buyer was not allowed to sell alcohol from the premises. Ten years later, when it was sold to a buyer who converted the building into a convenience store that sold beer, the original condition that “ran with the property” was violated. Therefore, the owner or owner’s heirs have the right of re-entry.
28. **A.** (B), (C), and (D) are generally treated as being fixtures (chattels real), and thus title passes with the land on its sale. Unless the contract of sale provides otherwise, the seller can remove personal property prior to closing.
29. **C.** The beneficiary does not own the real property, only an interest in the trust. All contracts involving the sale or transfer of property should be executed by the trustee, not the beneficiary only.
30. **B.** Real property includes rights in the land, air rights, subsurface rights, and improvements.
31. **C.** (A), (B), and (D) involve real property. *Personalty* is another word for chattel or personal property.
32. **A.** A bill of sale is especially useful to investors for purposes of allocating values to personal property that can depreciate at faster rates than real property for income tax purposes.
33. **D.** A trade fixture, such as a merchant’s display case, does not become a part of the landlord’s property during the term of the lease. Trade fixtures are removable by the tenant.
34. **D.** While (A), (B), and (C) are factors, most courts emphasize the intention test, particularly as noted in the listing and sales contracts.
35. **C.** While the date is frequently given, it is not as essential as the other items. Nevertheless, anyone preparing a bill of sale should insert a date.
36. **A.** Chattel is another term for personal property. A synonym is personalty.
37. **B.** Littoral property borders on the ocean or sea. Riparian property is located on a watercourse or over an underground nonnavigable stream.
38. **C.** The definitions of (A), (B), and (D) are not quite as broad as (C); thus, (C) is more comprehensive.
39. **C.** Real property is a collection of all of one’s rights in a certain parcel.
40. **B.** A dedication is, in effect, a grant to the public, which may be either a fee simple or an easement. Condemnation is the government’s taking private property for a public use with just compensation.

41. **D.** Riparian rights are those rights an owner has to the adjoining nonnavigable water, such as rights to swim, boat, or irrigate. These rights are created by operation of state law. If in doubt, an owner should check with a local real estate attorney.
42. **A.** Accretion is the gradual addition of soil (alluvion) to the shoreline (littoral accretion) or to the land bordering a stream (riparian accretion), which then becomes the property of the shoreline owner or the streamside owner. Avulsion is the tearing away of land caused by a sudden natural occurrence, but the original property line stays intact.
43. **B.** A littoral owner has land that bounds on the ocean. If the land borders on a navigable waterway, then there are no riparian rights, because the government would have control over this property.
44. **C.** This is the vertical concept of ownership, which includes subsurface and air rights, as opposed to horizontal ownership, such as is found in condominiums.
45. **B.** Such riparian owner would be the beneficiary of any increased land due to accretion and could take some of the water for personal use.
46. **C.** The key word here is “suddenly”; no change in ownership results.
47. **A.** Mineral rights and air rights are typically part of the real estate being sold and, unless reserved to the grantor, will automatically pass to the grantee. However, some states, and sometimes a previous grantor, already may have reserved the mineral rights before the owner obtains title. Therefore, it is important to check state law and the status of the owner’s title before taking title.
48. **C.** When a gift of real property is made by will, the recipient of that gift is called the devisee.
49. **A.** Erosion will result in a loss of one’s property. *Curtilage* describes the enclosed space of ground and buildings immediately surrounding a dwelling-house, such as a courtyard or fenced-in area.
50. **D.** Improvements refer to human-made constructed additions or developments, such as roads, buildings, or fences, which are usually part of the real estate. Planted crops are usually personal property, technically called *fructus industriales*.
51. **D.** Furniture is personalty unless it is a built-in fixture.
52. **C.** These riparian rights arise by operation of law and attach to property bordering on a nonnavigable stream.
53. **B.** Appurtenances are rights in land that pass to the new owner. Emblements are annual crops produced by cultivation and are treated as personal property.
54. **B.** Fee refers to a fee simple, which is a freehold estate of inheritance. A broker typically earns a “commission.”
55. **A.** Many highrise office buildings and condominiums are built after the developer purchases the air rights. Solar rights involve easements to give access to light and air.
56. **A.** Note that trees and shrubs not requiring annual cultivation would be real property, called *fructus naturales*.
57. **C.** *Tenement* is a broad term covering rights to buildings, fences, easements, and rents. Reversion interests return to the grantor in the future and reservation interests remain with the grantor. Warranties may be expressed in the deed.

58. **B.** Trade fixtures, such as display cabinets, storage systems, or barber chairs can be removed by the tenant upon expiration of the lease. They are considered personal property. Growing trees are classified as *fructus naturales*.
59. **C.** In those states that have adopted the Uniform Probate Code, the wife would be entitled to one-third absolute interest in all his property (i.e., she could elect to renounce the will).
60. **A.** A testatrix is a female. Executors (those named in a will) and administrators (those named by the court) handle the settlement of the deceased's estate—a more popular name today is “personal representative.”
61. **C.** In a building, the ceiling tiles that drop into a metal frame are fixtures. Normally fixtures are *attached*; however, intent is the criteria for determining if something is a fixture. Here we have movable objects (ceiling tiles) that have been *adapted* to the building, and are therefore fixtures.
62. **A.** A bequest is a gift of personal property. (A legacy is a gift of money to a legatee.)
63. **B.** In the case of intestacy, the state will, in effect, write a will under its laws of intestate succession (or laws of descent).
64. **B.** A codicil is an addition to a will that must be executed with the same formality as the original will. A demise is a transfer of a real property interest by lease.
65. **C.** When a testator dies, it is necessary to prove the validity of the will and give notice to any creditors that they may file claims. This is all part of the process of transferring title from the name of the deceased owner.
66. **C.** The devisee must wait for the probate process to settle the decedent's estate and pay the just debts before the devisee will obtain marketable title.
67. **A.** Each state has its own rules as to who will succeed to the intestate person's property. In effect, the state writes the will.
68. **C.** Most state laws allow a long period between death and title passing to the government so that next of kin have sufficient time to file claims.
69. **C.** Testate means to die with a valid will in which real property is passed by way of a devise.
70. **A.** A codicil is an addition to a will and could transfer real property as well as personal property. Bequest is the transfer of personal property, and a legacy refers to money.
71. **D.** A will differs from a transfer by deed in that a provision in a will is effective only after death and probate. A deed is effective on delivery during the grantor's lifetime. A will can be rewritten any time prior to the death of the testator.
72. **D.** Escheat also applies to abandonment of real property. Choice (B) refers to eminent domain.
73. **C.** Secured creditors, the government, and unsecured creditors all receive payment before the heirs. Sometimes, a devisee finds out that the real property he or she was to receive had to be sold to pay all of the debts of the deceased.
74. **C.** Intestate means there is no will, while the rest involve a will prepared by a testator. A devise is real property passing by will.

75. **B.** In those states that have adopted the Uniform Commercial Code, the chattel mortgage is called a *security agreement*; it is the financing statement that is recorded.
76. **C.** A bill of sale is used to transfer title to *personal property* and is sometimes used in real estate transactions, so the seller will warrant that there are no unpaid liens on the title. (A), (B), and (D) all transfer an equitable interest in real property.
77. **B.** In the event of the death of a person who did not leave a valid will, state law will specify which relatives are entitled to succeed to the real and personal property. This is sometimes called *the state laws of intestate succession or laws of descent*.
78. **C.** The deceased person usually designates the executor in the will. If one was not designated or the one designated does not qualify, then the probate court will appoint an administrator. In some states, the executor and administrator are called *personal representatives*.
79. **A.** Because the man left no will and has no surviving relatives, his real property will escheat to the government. The man has no devisees because he has no will.
80. **B.** Riparian rights belong to owners whose land borders a watercourse. They are rights to acquire title to accreted land and rights to boating, swimming, and so forth.
81. **D.** When a person dies testate, the real property will be devised to those people named in the will. If the person dies intestate, then state law determines to whom the property will descend.
82. **C.** Party walls are more frequently used in large city tenements. They involve reciprocal easements of support.
83. **B.** Where personal property is used as security in a land sales contract, the creditor-seller should, under the UCC, perfect the lien by filing a financing statement that describes the particular personal property.
84. **A.** An administrator is assigned by the courts to administer a decedent's estate, while an executor is named in a decedent's will to execute the decedent's last will and testament.
85. **C.** Situs is the personal preference owners have for one area of land over another. It is an economic characteristic as opposed to a physical characteristic, such as indestructibility and immobility.

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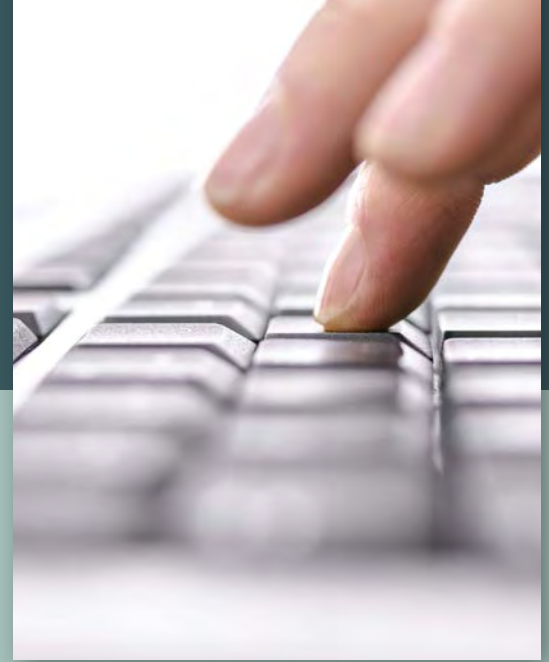
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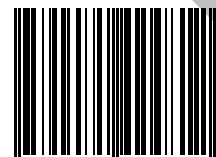
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