

NEW JERSEY REAL ESTATE SALESPERSON

PRACTICE EXAMS 2025

120

Questions with Fully
Explained Answers

Covers the NJ Real Estate Commission
Content Outline

- ✓ Test Simulator
- ✓ Exam Review
- ✓ Practice Exam
- ✓ Flash Card System

100% PASS GUARANTEE or MONEY BACK

Janet Stevenson
NJ Real Estate Instructor



New Jersey Real Estate Salesperson Practice Exam

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Review of the New Jersey Real Estate Salesperson Exam

Being self-employed as a real estate salesperson has many advantages. I highly recommend it to those who have never had control over their career. Maybe you have been employed in a job where you have creative ideas but no input. Or, even worse, you voice those ideas only to find them implemented later with someone else getting the credit. To be in charge of your own success is a powerful thing! As a real estate salesperson, you are the one who determines how hard you work and how much money you make. You will begin building relationships that will last through your entire life. Clients, customers, co-workers, vendors and more. A good estate salesperson will hone their people skills, learn financing, networking and closing tools, and learn how to keep their professional relationships. Working in real estate is all that and more. You will create and build a business in a way that makes you the best you can be while having a positive effect on your clients and customers. In the following article, we will go through the steps you need to begin.

The Process of becoming a Licensed Real Estate Salesperson in New Jersey

The State of New Jersey has requirements for licensure that everyone must follow. We will walk you through these steps so you can be on your way to your new career as soon as possible. New Jersey allows you to become licensed quicker and with less expense than many other states. Here's how you begin.

First, you must be at least 18 years old and have, at a minimum, a high school diploma (or its equivalent). Applicants must first take a pre-licensing class and pass the real estate salesperson exam before applying for a license. When applying for a license, the applicant applies through a sponsoring real estate broker. The application process includes disclosure of any criminal history, child support issues, whether the applicant has ever had a real estate license revoked and there is a fingerprinting

requirement. Applicants need to be United States citizens or legal residents. The Commission must be satisfied with the applicant's honesty, trustworthiness, character and integrity to issue a license.

Before taking the exam and applying for a license, you must complete a pre-licensing course. The pre-licensing course is typically a daily class that you can finish in just under 2 weeks, or there are night courses you can take over a longer period of time. The New Jersey Real Estate Commission licenses the real estate schools and provides a list of licensed schools. You should be able to find one that fits your needs. Classes will consist of 75 classroom hours in total.

I advise you to schedule your test immediately and take it as soon as possible after completing the class. Retention is difficult. You have 12 opportunities to pass the state exam. If you do not pass the first time, reschedule right away and study! You have up to one year from the date you graduated from your licensing class to retest.

The New Jersey Real Estate Salesperson Exam

Ok, so now we will give you an idea of what's on the exam. Let's go over what the test experience is like. You will be scheduled to take the test with a proctor from PSI, a testing company that administers the exam. The test is a sampling of everything you learned in the pre-licensing class. The subject breakdown is as follows:

- Property Ownership
- Land Use Controls and Regulations
- Valuation and Market Analysis
- Financing
- Agency
- Property Disclosures
- Contracts

- Leasing and Property Management
- Transfer of Title
- Practice of Real Estate
- Real estate Math
- Specialty questions
- Real Estate Commission
- Licensing requirements
- Statutes and Rules - NJ Law

Knowing the law is critical. You have to know as much law as possible. Pay attention to the things your instructor emphasized in the law chapter. The other thing I highly recommend is knowing the vocabulary. You cannot know the answer if you do not understand the question. Know your words, terms and titles. As an instructor, I gave a vocabulary test every day.

You have 4 hours to complete the exam. It is usually taken on a computer. You can save questions and go back, mark questions you are not sure of and go back over any section. It is multiple choice - 120 questions, with 5-10 experimental questions that are not scored. You will need 70 percent to pass (77 questions right). You are allowed a timed bathroom break. All your belongings should be left in your vehicle as you will only be permitted an approved calculator and a pencil. Scrap paper will be provided and must be turned in upon test completion. When you are finished, the proctor will be able to tell you whether you passed or not. If you did not pass, the results will show where your weaknesses were. Do not just study those subjects, because the next test will be completely different. There are lots of ways to come to the exam prepared. We will explore them next.

How to Prepare for the Exam

There are many ways to prepare yourself as exam day draws closer. Study habits will vary from person to person. It is important to study every day leading up to the test, then lightly review the day before.

A good place to start studying for the state exam is with the pre-licensing textbooks or workbooks you already have in your possession. Going through these materials carefully, and making sure you memorize important concepts and principles, is essential to get ready for the state exam. The more real estate terms and concepts you know, the better off you will be when you take the state exam.

Your pre-licensing classes taught you a new vocabulary related to real estate. Knowing this new vocabulary is important because sometimes the examiners will make up words and terms to try to trick you on the state exam. The more familiar you are with the vocabulary in your pre-licensing glossaries, the easier it will be to spot these invented terms and words.

Pay special attention to the technical terms for words that are used in everyday speech. For example, the state examiners might very well use words like “lessor” and “lessee,” rather than “landlord” and “tenant.” When reviewing your pre-licensing course materials, make sure you memorize all the terms that end in “or” and “ee.” It will help you get multiple answers right on your state exam.

In addition to studying your pre-licensing course materials, you must take multiple choice practice exams, like Tests.com’s, in order to prepare properly for the state exam. Why? Well, one reason is that you can memorize the material in your textbooks, but still not know how it is tested in an exam fact pattern. There are only a limited number of ways the state examiners can try to mislead you with a multiple-choice exam. The correct answer will always be right in front of you. After you’ve studied your real estate materials carefully and taken a lot of multiple-choice practice exams, you will be able to see past the tricks the state examiners use to confuse unprepared examinees.

If you do decide to buy additional test prep material, make sure it is in a format that will allow you to maximize your study time. Purchasing 4 or 5 additional real estate books and having them sit on your desk unopened is a waste of money. Also, it's all too easy to spend time shopping on the internet for additional study aides rather than studying. Finally, be careful with the information you find online: Some of it is posted by people without a background in New Jersey real estate law.

The night before the exam, try to relax and sleep well. Take a warm bath or shower, read a book, whatever usually relaxes you.

The Day of the Exam

Do not hit the books on exam day to keep your mind fresh. Eat lightly, as a big meal can make you sleepy, but not eating could leave you distracted with low energy.

Leave early to get to the testing center, to minimize traffic delays and other road issues. Know exactly where the test center is before leaving. You will be a bit nervous but it is important to stay as relaxed as possible and have a confident attitude. Read the entire question and all of the answer options before lodging an answer. Common mistakes include misreading questions and not understanding what knowledge the question is looking for, and jumping on answer #1 because it looks familiar without seeing the correct answer is #4. If you do not know an answer, it is ok to guess and come back to the question at the end if you have time. Questions later in the test may stimulate ideas on the correct answer on prior questions. When you complete the exam, go back over it and make sure you feel you have done your best.

After You Pass the Exam

After you pass the exam, you should find a few real estate offices and set up an interview with a broker, manager or recruiter. You may prefer a small office, or go for the large busy company. There are

independent offices and corporate franchises. See where people thrive and are happy. Ask around and choose a variety of those to interview with. Ask about commission structure, training, and opportunity time.

Once you choose the right office, the broker will sponsor you so you can apply to the New Jersey Real Estate Commission for your license. You will be required to have your fingerprints taken. You can set that up online or by phone with MorphoTrust. The Commission will check to make sure you are of upstanding character. You must also fill out the application for licensure and mail it to the Commission with your license fee in the form of a money order or cashier's check. Information on everything you will need to accomplish this can be found on the Commission's website. Just go to NJDOBI, New Jersey Real Estate Commission home page, and check Licensing and Education in the white boxes on the left and Applications and Forms in the blue boxes. You can also find FAQ links. Your chosen office may assist you in communicating with the Real Estate Commission to make sure your license is delivered to the broker promptly.

When I started in real estate, I was very lucky to have supportive and kind people around me. Being self-employed, your fellow salespersons are also your competition. Some people handle that better than others. But my experience made me very aware of how fortunate I was to have had mentors among my co-agents. It is also important to "pay it forward". It is important to build trust with both the agents you work with and with agents who are your competitors in the community. A good agent is one that other agents can trust and like to work with. That is invaluable and will create many opportunities for you. The industry is all about competition, but that can be used to your advantage by creating good working relationships with all agents and brokers. You will also need to cultivate and build relationships with those who support the industry. There are attorneys, title agents, home inspectors, pest control inspectors, contractors, and many others who you need to keep on your side. Things have a tendency to pop up at inopportune times and you will need exceptional service to keep a deal on track. If you have

not treated these people properly, they will not go the extra distance for you. These good relations could be the difference between a deal closing or falling apart. And one closing could be equal to a month's salary- or much more!

Aside from having ambition, drive and a strong work ethic, there are other things that lead to a successful career in real estate. Some are mandated by the New Jersey Real Estate Commission. Others, are of a personal nature. First, we will talk about personal assets.

To begin, you need to be self- motivated. A good broker will do all they can to keep the sales team motivated and competitive, but brokers wear many hats and are kept busy. Read up on psychology, not only for clients but yourself. For you, there may be periods of slow business activity, and you will need to know how to stay positive and productive during those times. Some people take time off when the market hits a lull but I kept regular hours. A big part of success is timing, being ready and prepared when opportunity presents itself. You need to stay emotionally prepared, as well. It is easy to start feeling sorry for yourself, get depressed, worried. But you need to stay positive. Everyone goes through tough times. I like to equate sales to athletics. You may hit a slump but you have to play through it. Your coach can do all they can to move you forward but ultimately it is up to you.

As far as your customers are concerned, you have to take time to understand them and what they are looking for. What kind of persons and decision makers are they? Are they nervous? Are they analytical? Do you have to highly explain everything? Do they pay attention? Do you need to put them at ease? These are "people skills" and will take you far as you get better.

You also need to be very responsible in money management. You will receive large checks at most settlements and the impulse to celebrate and start spending is tempting. Be smart! I always kept in mind that the future is unknown and that every check may have to last me for longer than I thought. I always kept a reserve amount and never allowed myself to go below it. Instead of ultra-expensive

clothes and cars, it may be wise for you to go middle-of-the-road. There will be times when the money seems like it will never stop coming in, but it can stop.

Education is key. You may not remember everything you learned in the pre-licensing course you will take. It is usually taught quickly and retention can be fleeting. But business regulations change quite frequently and you are responsible for knowing the laws, rules and regulations in your city and state. Your customers will have questions, and you need to either provide them with the information or know where to direct them to find the answers. Most reputable real estate offices keep their agents up to date with the information that concerns their business. But as agents you can do more, like go to seminars to keep yourself updated on the laws and regulations. In addition to what you learn on your own, you are required to take continuing education every two years as part of your license renewal. However, that should not be the sole source of your educational growth. There are additional courses you can take to become specialists in certain areas such as ABR (Accredited Buyers Representative), CRS (Certified Residential Specialist) and GRI (Graduate of Realtor Institute).

Serving your clients and customers with fairness, honesty and professionalism, as well as keeping informed, will bring you referrals from the people you have served well. Referrals are what every agent strives for. It is a gift from someone who was impressed and thankful for your excellent service. Referrals are highly motivated and ready to buy. You won't reach the top without them.

Another thing I did as a new agent was to pay close attention to those that were successful. What did they do that other less productive agents didn't? What did they say that I could incorporate into my approach while sounding natural and comfortable? If I had a weakness in some aspect of my practice, for example closing skills or marketing, I would watch the agents who excelled in those areas. Your broker may also be able to suggest training materials that could help as well.

There are many variables that enter into any sales career. But the things that you can control, such as working hard, treating people kindly, and learning the business properly (and continuing to

learn) are things that you can control! Work smart and put yourself ahead of the game, don't wait for the game to come to you!

If you have passed the test on your first try - congratulations! You answered at least 77 questions correctly to obtain the 70 percent needed to pass. You are ready to move forward with your new career.

If you have not passed the test on your first try – do not get discouraged. Many people do not pass on their initial try. The important thing to remember is to get right back on the horse - hit the books and take the test again as soon as possible. You have 12 total tries for one year from the date you finish licensing class, but time is of the essence.

You can do this! And it can be the best thing you have ever done for yourself. Be proud of your accomplishment.

Best of luck!

Janet Stevenson

Test Simulation Specifications

Test Name:	New Jersey Real Estate Salesperson Licensing Exam
Number of Questions:	120
Time:	4 hours

New Jersey Real Estate Practice Test - Section 1

General Principles of Agency

1. Which of the following represents a principal-agent relationship?
 - a. A real estate agent and the broker of record
 - b. The seller of a listed property and a buyer
 - c. A listing agent and selling agent
 - d. A broker of one office bringing an offer to the broker of another office

2. You have a listing and the activity has been slow. The seller tells you that he really needs to sell, so is open to negotiation. An agent from ABC Realty calls you and has some interested buyers but their price range is lower than the seller is asking. She wants to know the seller's motivation and if he is flexible on his price. What should you do?
 - a. Tell the agent yes because you and the seller both need the deal.
 - b. Repeat the conversation to the seller and ask for his input.
 - c. As the principal in this situation you can do what it takes to close the deal.
 - d. Tell the agent the buyers will have to offer full price and hope for the best.

3. The broker owes fiduciary duty to which of the following?
 - a. A seller who listed his home with the broker.
 - b. The salesperson working under the broker who sells that listing.
 - c. The buyer of the property.
 - d. All of the above.

4. If a listing brokerage employs the real estate salesperson who represents the buyer of an in-house listing, what type of agency results?
 - a. Transaction broker
 - b. Disclosed dual agency
 - c. General agency
 - d. Implied agency

5. **If a buyer is to close on a house but cannot make the closing due to a family emergency, what type of Power of Attorney (POA) can be given to a friend or family member to attend the closing and sign the documents on behalf of the buyer and where the POA ends after closing?**
- a. General POA
 - b. Durable POA
 - c. Springing POA
 - d. Limited POA
6. **In New Jersey, the real estate salespersons are required to provide this to a potential seller or buyer before entering into an agency relationship.**
- a. Copy of license certificate
 - b. Mortgage pre-qualification application
 - c. Consumer Information Statement.
 - d. Standard form real estate contract
7. **You work for Alpha Realty and show houses to a buyer. The buyer likes a listing with Beta Realty and you write an offer. You go to Beta Realty to meet with Mary, the listing agent. Mary then takes the offer to Alice her broker for her to review before Mary takes it to the seller. In what capacity are you working with Alice?**
- a. As an agent.
 - b. As a dual agent.
 - c. As a sub-agent.
 - d. As a principal.
8. **You had a listing where the seller was desperate to sell and he told you that he would take much less than the asking price. You worked diligently but no offers were made and the listing expired. The seller lists the property with another broker. Later on, one of your buyers is interested in the seller's property. Are you able to tell your buyer what the seller told you about being desperate to sell and being inclined to take a low offer?**
- a. Yes, because you have a duty to disclose to your buyer.
 - b. No, because you cannot represent the buyer due to a conflict-of-interest.
 - c. Yes, because of the duty to account owed to your buyer.
 - d. No, you continue to have a duty of confidentiality with the seller.

9. All of the following will terminate an exclusive right to sell listing agreement between a broker and a seller except:
- a. If both parties mutually agree.
 - b. Successful sale of the property.
 - c. Destruction of the property.
 - d. The seller decides to use a different broker.
10. Who can act as a transaction broker in a real estate transaction in New Jersey?
- a. Any employee of a real estate office.
 - b. Any licensed real estate agent.
 - c. Any licensed real estate broker.
 - d. Both b and c.

New Jersey Real Estate Practice Test - Section 2 **Statutes and Rules Governing Licensing Activities**

11. What information is published by the New Jersey Department of Community Affairs pertaining to leasing property in New Jersey?
- a. Truth in Lending Guide
 - b. Truth in Renting Guide
 - c. Rent-to-Own Consumer Brief
 - d. Home Safety Consumer Brief
12. In 1975, steps were taken to adjust the zoning requirements in every municipality in New Jersey. It was designed to make sure that the income groups represented in the population, which included low and moderate incomes, had a fair amount of housing or upcoming development. The catalyst was a community that had a very high percentage of buildable land zoned as industrial, leaving none for residential development. This ruling was not followed by most municipalities causing a second decision. The Fair Housing Act of 1985 built upon the prior legislation by adding time limits and guidelines for housing standards. It also provided a remedy for non-compliant municipalities by allowing the state to bring legal action. What was the original court case that started the measures described in the 1975 case?
- a. Jenkins v. Morristown
 - b. NAACP v. Mount Laurel Township
 - c. Clover Hill Swimming Club v. Goldsboro
 - d. Abbott v. Burke

13. Who pays the New Jersey realty transfer tax at closing?

- a. Closing agent
- b. Seller
- c. Buyer
- d. Sellers' broker

14. Why was the Pinelands Protection Act of 1979 put in place?

- a. To put aside land for future private development.
- b. To set aside land for future highway and road expansion and connections.
- c. To create a recreation area with parks, man-made lakes and sporting activities.
- d. To protect the land from over development.

15. The Real Estate Sales Full Disclosure Act, under the control of the Bureau of Subdivided Land Sales, was meant to protect New Jersey residents from which of the following?

- a. Unscrupulous real estate agents
- b. Sale of property in other states
- c. Hazardous waste sites
- d. Builders of large New Jersey housing developments

16. Mr. Sellers decides to give you the listing to his house. He fills out a Property Disclosure Form showing the house to be in good condition. Two months into the listing, he remembers he forgot to mention that there was a fire in the attic several years ago and the damaged area was covered with paneling. He mentions it to you just as you are expecting an offer from a co-op broker. What should you do?

- a. Tell the buyers broker.
- b. Nothing. If the offer is accepted the buyers will be obtaining a home inspection report.
- c. Tell the seller to make sure it is not noticeable. You work for HIM!
- d. Tell the seller he must have it inspected and repaired immediately.

17. Which of the following is a correct statement regarding buyer rebates?

- a. A salesperson can give a buyer a rebate from their commission.
- b. The broker can give a rebate to the seller.
- c. The rebate must be negotiated at the first meeting and in writing.
- d. The rebate must be cash or certified check.

- 18. A broker is setting up a home office. He has a visible sign on the corner of the property. Where must the entrance be?**
- a. The front door to the home and clearly marked.
 - b. It must be a back door.
 - c. An exterior entrance, separate from the house and visible from the street.
 - d. A broker is not permitted to have an office in his or her residence.
- 19. As a listing agent, you will receive offers from agents in your own office, as well as from other brokers. What is your responsibility to agents from your own office and their customers?**
- a. It is a conflict-of-interest to accept offers from another agent in your own office.
 - b. Submit the offer as soon as possible to the seller and within 24 hours.
 - c. Deliver the offer to the seller within five business days of the offer.
 - d. Notify the seller of the offer if you think it's a serious offer; otherwise, reject it.
- 20. The Farmland Assessment Act was enacted by the state Treasury Department to assist farmers from the rising property taxes in New Jersey. Farmers can apply for relief from assessed values as long as they meet certain requirements, like having been in production for the two years preceding the application. One goal of the legislation is to help protect the open space that many farms provide. Development has caused New Jersey to be the most densely populated state in the country. To qualify under the Act, how many acres, at a minimum, must a farmer have actively devoted to agriculture or horticulture use?**
- a. 1
 - b. 5
 - c. 10
 - d. 20
- 21. A broker must have a bank account to deposit client and customer funds. What type of bank account should be used?**
- a. The broker's personal business account.
 - b. A broker checking account approved by the client.
 - c. A trust account in a bank approved by the Real Estate Commission.
 - d. A joint account of the broker and client.

- 22. In an open house announcement, a seller's agent has included a calculation of the monthly payments to be made based on a certain purchase price. What other language must be included in this ad?**
- a. The words "to a qualified buyer".
 - b. The words "submit all offers".
 - c. The name of the agent holding the open house.
 - d. The percentage of the commission.
- 23. Based on prior statutes, the Municipal Land Use Law of 1976 gave municipalities more control in how they were going to mold their communities, while remaining compliant with state responsibilities. Each municipality was required to create a master plan which the state could then approve and monitor, making sure that the land was used to its highest potential in a way that best suited the community. Who has the most input and control in forming a master plan?**
- a. Mayor
 - b. City Commissioners
 - c. Planning Board
 - d. The Zoning Department
- 24. Which of the following would be proper in an advertisement, following the guidelines set forth by the Real Estate Commission?**
- a. Free moving services for those sellers who list with us!
 - b. Our agents can provide a complementary market analysis to help you determine the value of your home.
 - c. A new laptop for any buyer who completes a sale!
 - d. We will enter your name in a drawing for a 60- inch flat screen TV when you list with us.
- 25. Unless working as employees in a brokerage, real estate agents are treated as self-employed for federal tax purpose, which means estimated taxes must be paid. How often do you pay estimated taxes?**
- a. Yearly
 - b. Monthly
 - c. Quarterly
 - d. Bi-annually

- 26. John has a son who is not capable of taking care of himself, and John wants to make sure that after his death the son will be cared for. John decides to form a trust to leave his property and all other assets to his son, to be managed by John's brother Jim, who will be the trustee of the fund. John reserves the right to change or cancel the trust as well as to manage the trust until he dies or turns it over to Jim. What has John set up to insure the care of his son?**
- a. Revocable trust
 - b. Irrevocable trust
 - c. Bequest
 - d. Life estate.
- 27. There are very strict regulations regarding what you can offer to a buyer or seller in order to gain their business. What, if anything, can be offered to a customer?**
- a. Free market analysis
 - b. A rebate to a seller upon closing
 - c. A furniture gift certificate to a buyer
 - d. Nothing can be offered.
- 28. Joe, who is 17 years old, signs a contract for the purchase of a home being sold by John. The contract is fully signed and out for attorney review when John finds out Joe is a minor. What is the status of this contract?**
- a. The contract is void.
 - b. The contract can be voided by John.
 - c. The contract can be voided by Joe.
 - d. The contract can be voided by Joe or John.
- 29. Which of the following would be a legal and acceptable reason to refuse to rent or sell to someone?**
- a. They have bad credit.
 - b. They have children under age 5.
 - c. They are in the National Guard and can be deployed.
 - d. They use public assistance for income.

- 30. In times of drought New Jersey has access to underwater aquifers and underground floodwater that has accumulated in floods and heavy rains. The land is saturated with water and contains vegetation that can sustain life in the high- water level. There is also wildlife, fish and birds that are native to the area. Which of the following legislation has helped protect these areas and helped to keep them healthy and free from detrimental intrusion by development?**
- a. The Pinelands Protection Act of 1979
 - b. The Highlands Water Protection and Planning Act
 - c. The Freshwater Wetlands Protection Act of 1987
 - d. The New Jersey Coastal Area Facility Review Act
- 31. Smith, who is a licensed real estate salesperson, has listed a property that he owns with his uncle. Another agent has presented an offer and Smith is preparing an agreement of sale. What must be in the agreement to avoid a conflict of interest for agent Smith?**
- a. The disclosure that Smith is an owner of the property.
 - b. An inspection clause that will allow the buyers to request repairs or void the contract in the event of damages.
 - c. A statement explaining where the buyers' escrow will be held.
 - d. The notice to buyers and sellers that they have the right to an attorney.
- 32. The New Jersey Real Estate Guaranty Fund was established to compensate consumers harmed by a licensee during a real estate transaction. What particular offence by a licensee does it cover?**
- a. Negligence
 - b. Embezzlement
 - c. Errors and Omissions
 - d. Price Fixing
- 33. What government entity regulates timeshares in New Jersey?**
- a. The New Jersey Office of Consumer Protection
 - b. The New Jersey Real Estate Commission
 - c. The New Jersey Bureau of Subdivided Land Sales
 - d. The New Jersey Division of Property Management and Construction

New Jersey Real Estate Practice Test - Section 3

Property Ownership

- 34. Which of the following business scenarios is a joint venture?**
- a. Where two companies form a separate corporation to build a hotel.
 - b. Where two companies remain separate and enter into a joint venture agreement to manage a strip mall.
 - c. When two companies form a separate limited liability company to buy vacant land to hold as an asset.
 - d. All of the above.
- 35. Your neighbor is replacing his fence that borders your property. Shortly after the project is finished you discover that his fence has been placed over your property line. Which of the following describes the boundary issue?**
- a. An Easement
 - b. An Encroachment
 - c. A Restriction
 - d. An Encumbrance
- 36. When a property owner dies without a will, they are said to have died:**
- a. Lis pendens
 - b. Escheat
 - c. Intestate
 - d. Eminent Domain
- 37. Mary has rented a storefront and is opening a hair salon. After cleaning and painting the interior she installed several barber chairs, sinks and shelving. After a few years, Mary decided to move to a new location. She gives notice and moves out most of her things on the last day of the lease. She is trying to locate a handyman to move the affixed items and repair any damage caused by the move. At this point, who owns the trade fixtures?**
- a. They are still the tenant's personal property.
 - b. As trade fixtures, they belong to the tenant's business.
 - c. They become the landlords' personal property.
 - d. They must be put in safe keeping until Mary can have them moved.

38. Tom has a daughter Emma who is 18 years old and Tom wants her to inherit his estate when he dies. Tom has an elderly Aunt Betty who lives in a country house he owns and Tom wants to make sure she will be taken care of until she passes away. He forms a life estate for Aunt Betty. Tom predeceases Aunt Betty and Emma. Upon Tom's death, what ownership interest will Emma take in the country house?
- a. Fee simple
 - b. Qualified Fee Estate
 - c. An interest in joint tenancy
 - d. A remainder interest
39. Jack and Karen, who are brother and sister, own a property together. If one of them should die, the other will automatically own the whole property even if they both have heirs. What form of ownership do Jack and Karen have?
- a. Tenancy in Severalty.
 - b. Tenancy in Common.
 - c. Joint Tenancy.
 - d. Tenancy by the Entirety.
40. The right to own property is more than owning your house and yard. There are other rights that are included such as the rights to well water and mineral rights. What other ownership rights come along with the deed to your property?
- a. Navigable water rights
 - b. The right to cross another property to get to yours
 - c. The right to sell firearms
 - d. Air rights

New Jersey Real Estate Practice Test - Section 4

Land Use Controls and Regulations

41. All of the following are covered by a building code, except:
- a. The front and rear setbacks of a residential home.
 - b. The mix of commercial and residential buildings in a certain area.
 - c. The wind rating of a home in a hurricane or tornado prone area.
 - d. The depth of fire walls between townhomes.

- 42. A developer has filed applications to construct a new shopping center in town. The area has the proper zoning and the residents have expressed enthusiasm for the project. Only one hurdle remains, a new access road will need to be built where a small but well- established neighborhood exists. What can the municipality do to obtain rights to build the access road?**
- a. Nothing if the property owners will not sell their property.
 - b. Use eminent domain.
 - c. Sue the homeowners to force them out.
 - d. Re-zone the neighborhood so the houses will all be non-conforming.
- 43. Mrs. Jones is the owner of a large parcel of land that has been in her family for generations. Recently there was a zoning change in her town and the land can now be subdivided into small parcels. Mrs. Jones had promised her family that the land would remain as it always was and pass down through the coming generations. What step can she take to ensure her property will remain a single undivided parcel with future owners?**
- a. Add a deed restriction to her deed.
 - b. Create an easement on her property
 - c. Condemn the land.
 - d. Create a life estate with a remainderman.
- 44. Your client is a business owner looking to purchase a building in a Business Improvement District (BID) in a city in New Jersey. Which of the following would be a potential issue for a building owner in a BID?**
- a. Radon
 - b. Municipal ordinances
 - c. Special assessments
 - d. Eminent domain
- 45. There are many disclosures that are part of an agreement of sale. Some disclosures require a signature from the buyer acknowledging their receipt. Which of the following notices not only require a customer's signature but acknowledgement from everyone involved?**
- a. Lead based paint notice
 - b. Carbon monoxide notice
 - c. Mold disclosure
 - d. Water contamination disclosure

New Jersey Real Estate Practice Test - Section 5

Valuation and Market Analysis

46. When appraising commercial properties there are several different methods an appraiser can choose from based on use and purpose. What method is most suited to appraise an apartment building?
- a. Sales Comparison approach
 - b. Income approach
 - c. Cost approach
 - d. Replacement cost
47. Real estate agents often offer their clients a basic analysis to help a seller determine what a house should sell for. Called a Comparative Market Analysis or CMA, they usually use a sampling of sold properties, and sometimes include properties for sale to see what the current competition would be. A CMA is similar to which of the following appraisal methods?
- a. Cost approach
 - b. Income approach
 - c. Replacement approach
 - d. Sales comparison approach
48. The cost approach method would be used to appraise which of the following?
- a. An old hospital for sale.
 - b. A new home destroyed by fire
 - c. A bank updating their building values.
 - d. A house in a subdivision looking to refinance.
49. Tom and Barb bought a house for \$250,000 ten years ago. They put 20 percent down and took out a \$200,000 mortgage. In ten years, most of their payments have gone to interest, and the principal is at \$160,000. The property is now appraised at \$325,000. How much equity does the owner now have in the property?
- a. \$90,000
 - b. \$125,000
 - c. \$165,000
 - d. \$200,000

50. What is external obsolescence?

- a. Structures that are outdated due to issues like lack of bathrooms.
- b. A component of the income approach of appraising investment property.
- c. Not keeping up with the maintenance of the exterior of your property.
- d. A factor effecting the value of your property that is beyond your control.

51. How much does an appraisal cost?

- a. A flat fee on a sliding scale
- b. A percentage of the appraised value.
- c. Appraisal fees are set by the Real Estate Appraisers Board.
- d. The N.J. Depart. of Banking and Insurance provides guidelines that determine fees.

New Jersey Real Estate Practice Test - Section 6

Financing

52. When a borrower applies for a mortgage, the lender will check the borrower's credit to make sure he or she is a good risk. The lender will also "qualify" the borrower to make sure the borrower can afford the monthly payments. To determine what the monthly payment responsibility will be, a number of factors are considered, known as PITI. Principal, interest and taxes are the first three types of debt that are considered. What does the final "I" stand for in PITI?

- a. Income
- b. Interest
- c. Insurance
- d. Instrument

53. What is the acronym for the type of loan that features interest rate changes?

- a. APR
- b. GPM
- c. ARM
- d. LTV

54. One way a borrower can keep the cost of a monthly mortgage payment down in a high interest rate climate is to pay discount points, or points. Each point a borrower buys will bring down the interest rate. How much does a point cost the borrower?
- a. .25% of the loan amount
 - b. .5% of the loan amount
 - c. 1% of the loan amount
 - d. 5% of the loan amount
55. In which of the following transactions is a HUD-1, now known as a TRID settlement statement, required?
- a. A transaction where the buyer pays in cash.
 - b. Where the buyer assumes the seller's mortgage.
 - c. Where there is seller financing of the purchase.
 - d. None of the above.
56. When using a loan and mortgage to buy real estate, a loan estimate form must be given to the applicants no later than ____ days after applying for the loan.
- a. 1
 - b. 3
 - c. 5
 - d. 10
57. If a house costs \$160,000 and the bank requires a down payment of \$32,000, what is the loan-to-value ratio?
- a. 30%
 - b. 40%
 - c. 60%
 - d. 80%
58. Of the five factors considered in a FICO credit score, which factor typically carries the most weight?
- a. The amount of money owed
 - b. The length of time of credit history
 - c. Payment history
 - d. Mix of credit

59. Which of the following is the first step in the mortgage process for a borrower?

- a. Mortgage commitment
- b. Mortgage pre-qualification
- c. Mortgage pre-approval
- d. Recording of mortgage

60. What is the basic entitlement under a VA loan if a borrower defaults?

- a. \$36,000
- b. 25% of the total mortgage.
- c. Both A and B, whichever is less.
- d. Neither A nor B

New Jersey Real Estate Practice Test - Section 7

Property Disclosures

61. You have decided to sell your house and there is a permanent storage building that looks like it is over the property line. If the property disclosure form does not mention encroachments, does the seller need to disclose this?

- a. No, not if it doesn't appear on the form.
- b. Yes, any possible issue must be mentioned.
- c. No, the building was there when the owner bought the property.
- d. Yes, the building must be removed.

62. A property owner wants to build a three-family structure on a lot that is only zoned for one to two family housing. The lot is just 3 feet short of the zoning classification that allows three-family housing. What can be done to seek a change to the zoning so three-family housing would be a permitted use?

- a. Seek a variance.
- b. Seek a building permit.
- c. Seek an exception to the building code.
- d. Obtain a conditional use exception.

63. The owner of a property in a rural area has agreed to sell his property to his neighbor. The seller has oil heat and used to have an old tank that was rusted and leaked. The seller got rid of the tank and put another tank underground in the same spot, doing the work himself. He filled out a property disclosure form mentioning the new tank. A couple years later, the new owner hired a company to switch from an underground to above ground tank. The contractor discovered the old oil seepage. Who is liable for the clean-up?
- a. The current owner
 - b. The former owner
 - c. The oil company, as they delivered the oil.
 - d. There is no liability.
64. Every agreement of sale and rental leases over 100 days must include a Lead Based Paint Disclosure addendum. The seller must disclose if they are aware, or not aware, of any lead paint in the property, as well as any findings from previous paint testing. The buyers or tenants acknowledge receiving the information and are given the right to inspect the home for lead based paint. What other information do buyers and tenants receive?
- a. A discount for lead based paint inspections.
 - b. A booklet about different brands of paint.
 - c. Instruction of how to remove lead-based paint.
 - d. A pamphlet, "Protect Your Family from Lead in the Home".
65. Which of the following is a latent defect?
- a. Settlement cracks in the ceiling
 - b. Mold under the drywall
 - c. Loose roofing shingles
 - d. Uneven pavement in driveway

New Jersey Real Estate Practice Test - Section 8

Contracts

66. A contract for the sale of real estate in New Jersey has to meet certain requirements in order to be a valid contract. One requirement is that the contract must be for a legal purpose. Which of the following real estate transactions would involve an illegal purpose?
- a. Buying a property at a low price to "flip" for a profit.
 - b. Paying the seller cash on the side to lower the price and mortgage amount.
 - c. Using a straw buyer.
 - d. Getting money from your parents for the down payment.

67. Which of the following real estate contracts is voidable?

- a. Where a seller enters into a contract to sell property he does not own.
- b. A contract that leaves out the consideration for the sale.
- c. Where unbeknownst to the seller, a buyer signs a contract when intoxicated.
- d. Using a dual contract to avoid NJ realty transfer fees.

68. A listing states that a property is 30 acres. A buyer makes an offer to the seller and a written land sale contract is entered into stating 30 acres. The buyer obtains a survey as part of his inspections and the property is actually 20 acres. The seller never had a survey when he bought it so he believed it to be 30 acres. What are buyer's options?

- a. Rescind the contract.
- b. Accept the property as is.
- c. Renegotiate a lower price.
- d. All of the above.

69. A 17-year old buyer signs a contract to purchase real estate. The seller did not know the age of the buyer at the time the contract was entered into. Can the seller enforce the contract?

- a. Yes, but the buyer can cancel the contract if he so chooses.
- b. No, the contract is unenforceable due to the buyer's age.
- c. Yes, but the seller must reaffirm the contract after learning the buyer's age.
- d. No, because the contract is void.

70. When does delivery of the deed take place?

- a. When the seller signs the deed.
- b. When the seller's attorney receives the signed deed.
- c. When the seller signs and the buyer accepts the deed.
- d. When the deed is recorded in a recorder's office.

71. Which of the following clauses is required in New jersey real estate contracts?

- a. Forum selection clause
- b. Choice of law clause
- c. Attorney review clause
- d. Liquidated damages clause

- 72. Which remedy is characterized by a court ordering a seller to transfer real estate in accordance with an existing fully signed agreement of sale?**
- a. Damages
 - b. Restitution
 - c. Specific performance
 - d. Liquidated damages
- 73. If a buyer is denied a loan and mortgage resulting in the cancellation of a land sale contract, what is said to have happened?**
- a. Breach of contract
 - b. Failure of a condition precedent
 - c. Misrepresentation
 - d. Failure of a condition subsequent
- 74. Under what statute does New Jersey recognize electronic signatures?**
- a. The Statute of Frauds
 - b. Uniform Electronic transactions Act.
 - c. Uniform Fiduciary Access to Digital Assets Act.
 - d. Electronic Signatures in Global and National Commerce Act.
- 75. Which of the following are unilateral contracts?**
- a. A land sale contract.
 - b. An insurance contract
 - c. An option contract
 - d. Both B and C
- 76. Which of the following describes an addendum to a contract, as opposed to an amendment? Assume all of the following changes are made after a land sale contract has been signed by the parties.**
- a. The buyer and seller agree that instead of the seller fixing the roof, as stated in the contract, he will give the buyers a credit at settlement.
 - b. The buyer and seller agree to move the settlement date and close a week earlier.
 - c. A buyer and seller wish to add a provision that the current zoning laws will permit an addition to the property.
 - d. The seller and buyer agree that a seller will take the appliances instead of including them in the sale, as the contract had stated.

- 77. Tom signed a lease to pay rent in order to occupy an apartment over the next year. What type of contract did he sign to complete the transaction?**
- a. A unilateral contract
 - b. An implied contract
 - c. A bilateral contract
 - d. A dual contract
- 78. Rachel has a contract to sell an undeveloped tract of land to Steve and the contract has a closing date of September 10th. Rachel prepared for closing and was ready to close on September 10th, but Steve was not ready for closing and requested an extension. What condition should Rachel have included when the contract was drawn, and can be made a condition of an extension, if granted?**
- a. A punitive damages clause
 - b. A specific performance clause
 - c. A Time is of the Essence clause
 - d. Waiver of Liability.
- 79. Carl lists his home for \$470,000. John offers \$455,000. Carl counters with \$460,000. John rejects the counter offer. A few months later, Carl has received no other offers. Can he accept John's offer of \$455,000?**
- a. Yes, as offers don't expire.
 - b. Yes, because John never terminated the offer.
 - c. Yes, because Carl's counteroffer kept the negotiation alive.
 - d. No.
- 80. A seller lives in a location that recently became popular due to the opening of a train station near-by that made commuting into town much easier. To her pleasant surprise, the seller receives four offers within two days of her house being listed for sale. Sensing she listed her house too low and wanting to stimulate competition amongst the offerors, she instructs her real estate agent to tell the three lowest offerors what the amount is on the highest offer. Is it permissible for the real estate agent to disclose the amount of the highest offer to the other three offerors?**
- a. No. The buyer with the highest offer has the right of confidentiality.
 - b. No, because the seller could lose all the buyers.
 - c. No, the agent needs to explain to the seller that this is unethical.
 - d. Yes. The real estate agent works for the seller.

New Jersey Real Estate Practice Test - Section 9

Leasing and Property Management

81. Real estate agent licensees who act as property managers have a fiduciary responsibility to the principal. Depending on the property management agreement, there may be many tasks in the agent's job description. Which of the following would be considered a breach of the fiduciary duty?
- a. Giving a tenant an extra day to pay the rent.
 - b. Hiring your brother to do work on the property because you know you can trust him.
 - c. Keeping records on your office computer.
 - d. Only communicating with the principal twice weekly instead of daily.
82. What kind of lease has the tenant pay all the expenses for the property, even those traditionally paid by the landlord?
- a. Gross lease
 - b. Net Lease
 - c. Step-up Lease
 - d. Percentage Lease
83. What is the maximum amount of security deposit a landlord can charge in New Jersey?
- a. Two month's rent
 - b. One month's rent
 - c. One and a half month's rent
 - d. The amount is not regulated.

New Jersey Real Estate Practice Test - Section 10

Transfer of Title

84. As parties to a land sale contract are preparing to go to settlement, one of the things that a title company will do is to check the title of the property to make sure it is clear and transferable. Right before closing an additional title search is performed to make sure no new problems have shown up since the last search was done. What is this last- minute search called?
- a. Examination of Title.
 - b. Schedule B-2.
 - c. Continuation.
 - d. An exception.

- 85. Where is a deed filed and recorded to establish public notice and confirm ownership?**
- a. At the City Hall of the municipality where the property is.
 - b. At the Title Company after closing.
 - c. At the County Clerk or Registrar of Deeds.
 - d. With your lender.
- 86. At closing, which of the following will likely require proration and reimbursement to the seller?**
- a. Water and sewer
 - b. Home owner's insurance
 - c. Electricity
 - d. All of the above
- 87. A title search finds an undischarged mortgage from 1984. The title insurance company agrees to cover against this defect to facilitate a transfer of ownership in a sale of the property. What kind of title will be transferred?**
- a. Marketable
 - b. Unmarketable
 - c. Insurable
 - d. Free and clear
- 88. If a home is old and has not been updated for many years, which of the following can a seller offer a buyer to give them confidence that the appliances, plumbing and HVAC systems will be repaired or replaced if they stop working after closing?**
- a. Manufacturer's warranty
 - b. Homeowner's insurance
 - c. Home warranty
 - d. Seller service contract
- 89. Which of the following types of deeds is a special warranty deed?**
- a. Bargain and Sale deed
 - b. Warranty Deed
 - c. Quitclaim Deed
 - d. Bargain and Sale Deed with Covenants Against the Grantors Acts.

90. Which of the following laws requires that deeds be in writing?

- a. The Statute of Frauds
- b. The Affidavit of Title
- c. The Habendum Clause
- d. The Real Estate Sales Full Disclosure Act

91. What are the TILA disclosures at closing?

- a. The document the seller signs attesting he has done nothing to encumber the title.
- b. A disclosure setting forth the true cost of borrowing mortgage money.
- c. A document disclosing title policy prices.
- d. The accounting of where the buyer's money originated.

92. A mortgagee will require this when funding a mortgage.

- a. Home warranty
- b. Lender's title insurance
- c. Homeowner's title insurance
- d. Confession of judgment clause

New Jersey Real Estate Practice Test - Section 11

Practice of Real Estate

93. Which of the following is an example of price fixing which is a violation of the Sherman Antitrust Act?

- a. Agents list all of the homes in a certain neighborhood at similar prices based on comparable prices.
- b. The brokers in a small town get together and decide that they will all charge a six percent commission on listings.
- c. Charging customers for services that other agents perform for free.
- d. An agent forming a trust as part of estate planning for her family.

94. What is license lending?

- a. When an agent uses an unlicensed assistant to conduct an open house.
- b. Using a real estate license to get favors from title companies, home inspectors etc.
- c. When a broker allows an agent to use his broker license to open an office that the broker does not really manage.
- d. When an agent uses her out of state license to show homes in New Jersey.

95. Which of the following would constitute the discriminatory practice of steering?
- a. Only showing minority buyers houses in a neighborhood of minority families.
 - b. Only showing houses listed with your company to your buyers.
 - c. Showing houses to buyers above their price range to get them to spend more money.
 - d. Pushing a listing that pays the selling agent a \$5,000 bonus.
96. Under the Americans With Disabilities Act (ADA), disability is a broad term that encompasses both physical and mental challenges. The ADA protects the rights of those parties covered by the Act from discrimination in the workplace and other areas. What physical or mental conditions are not covered by the ADA?
- a. Bipolar disorder
 - b. Cancer patients
 - c. Obsessive-Compulsive Disorder
 - d. Psychoactive Substance Abuse Disorders
97. Which of the following postings must appear in all businesses that are involved with selling or financing real estate?
- a. The New Jersey Antidiscrimination poster
 - b. Federal Fair Housing poster
 - c. Both a and b.
 - d. Neither a nor b
98. The rules on broker trust accounts are very clear as to how to handle business accounts. Once a broker comes into possession of client funds, the funds must be deposited promptly into a trust account. How long does a broker have to deposit the client funds after receiving them?
- a. Seven days
 - b. Five days
 - c. Seven business days
 - d. Five business days
99. What is a Waiver of Broker Cooperation?
- a. The listing broker waives exclusivity to sell the property.
 - b. The buyer's agent agrees to forego compensation.
 - c. The listing broker only let agents from his office sell the Exclusive Right to Sell listing.
 - d. The seller specifically prohibits, in writing, a broker from showing the property.

- 100. A real estate agent works in real estate office where the broker requires her to work certain hours and attend mandatory business meetings. The office takes taxes out of her commissions and provides an office and use of the equipment such as the copier and computer system. Based on the circumstances of this real estate agent's work arrangements, what status does the agent have with the office?**
- a. Independent contractor
 - b. Employee
 - c. Joint venturer
 - d. Partner
- 101. Which of the following practices are not consistent with New Jersey statutes (56:8-2) as to Truth in Advertising?**
- a. A broker publishing an ad to sell property written by a client.
 - b. Using the term "sold" on a listing that is to close in a couple days.
 - c. Identifying the brokerage firm in an ad.
 - d. All of the above are consistent with the regulations.
- 102. Which of these four listing types are illegal in New Jersey?**
- a. Exclusive Right to Sell Listing
 - b. Net Listing
 - c. Open Listing
 - d. Oral Listing
- 103. Which of the following would violate the Sherman Antitrust Act for reason that it is anti-competitive?**
- a. A broker requires a buyer to list with him when the buyer is ready to sell.
 - b. An agent limits her practice to a geographic area.
 - c. A broker setting a limit on negotiated commissions.
 - d. Only advertising on one radio station.
- 104. Which of the following cannot be solicited by phone under the New Jersey Do Not Call List?**
- a. Other businesses
 - b. Current clients where there is an ongoing obligation to perform.
 - c. Past clients where the relationship has been terminated.
 - d. Both a and c

105. The Federal Fair Housing Law applies to certain protected classes. They include race, color, religion, national origin, sex, disability (including mental, physical and substance abuse in recovery), and familial status. Which of the following represents someone protected by familial status?

- a. A newly married same-sex couple.
- b. A married man separated from his wife.
- c. A father, mother and their 19- year-old daughter
- d. A mother with 3 small children

106. Once buyers and sellers have agreed upon all of the negotiated items and the attorney review period is over, the buyers have to do their “due diligence” to move the sale forward. They have a responsibility to have their mortgage application submitted, conduct home and termite inspections if they choose to do so and have a title search ordered. What other task would fall under the buyer’s due diligence?

- a. Hiring an attorney.
- b. Obtaining home insurance.
- c. Having utilities turned on in their name.
- d. Have the movers scheduled.

New Jersey Real Estate Practice Test - Section 12

Licensing Requirements

107. All but one of the following are the basic requirements for someone looking to obtain a New Jersey Real Estate License. Which is incorrect?

- a. You must be at least 21 years of age.
- b. You must have a high school diploma or equivalent.
- c. Attend 75 hours of classes at an approved school.
- d. Pass the state exam.

108. The state of New Jersey requires a criminal background check to assure that applicants are of good character. What part is the applicant responsible for obtaining?

- a. Reference letters
- b. Police reports
- c. Fingerprints
- d. Employment references

109. Which of the following activities requires a real estate license?

- a. Working in a property management office.
- b. Working as an assistant to a real estate agent.
- c. Working in commercial and residential appraisal services.
- d. Working as an auctioneer and occasionally auctioning real estate.

New Jersey Real Estate Practice Test - Section 13

Real Estate Calculations

110. John and Mary bought their home in 2016 for \$200,000. They were required by the lender to put 20% of the price as a down payment. Within a year of the purchase, housing like theirs has appreciated 10% in value. How much equity do John and Mary have in their home?

- a. \$40,000
- b. \$60,000
- c. \$120,000
- d. \$220,000

111. If buyer takes a mortgage of \$72,000 on home priced at \$90,000, what is the loan to value ratio?

- a. 20%
- b. 35%
- c. 80%
- d. 90%

112. A borrower is purchasing a home for \$320,000 and putting 20% down with a mortgage. He wants to reduce his interest rate on the mortgage by buying two points from the lender. How much will the points cost the borrower up front?

- a. \$2,560.00
- b. \$5,120.00
- c. \$3,200.00
- d. \$6,400.00

- 113. Jane Doe lists her property with you but she is not willing to pay a 6% commission, as is the policy of your broker. You explain how the commission rate will drive agents to work hard for the sale and after negotiating a bit longer, Jane agrees to pay 6% IF she can net \$325,000, otherwise she will pay 5%. What would be the lowest price you could list for if you want the 6% commission, considering the other closing costs are paid outside of closing?**
- a. \$305,872
 - b. \$325,750
 - c. \$344,500.
 - d. d.\$345,744
- 114. Seller is selling a house in an area where property taxes are paid quarterly. The settlement date is December 2nd and the tax amount for the last quarter is \$328.00. How much will the seller have to pay in taxes for the last quarter?**
- a. \$224.91
 - b. \$229.60
 - c. \$264.43
 - d. \$328.00
- 115. John works for Fabulous Realty and sells a property listed by Humble Realty. John is a very successful sales agent and based on last-years sales totals he is earning a 70% commission split with his broker. The Humble Realty listing sold for \$400,000 and the commission rate was 5.5%. How much will John earn in commission for this sale?**
- a. \$8,400
 - b. \$7,700
 - c. \$11,000
 - d. \$22,000
- 116. You are showing an apartment building to an investor. Based on some research, the investor believes the building might yield \$40,000 net profit from rentals. Using a comparable, a similar building recently sold for \$250,000 and had an annual net operating income of \$50,000. What is the capitalization rate and the value of the apartment building the investor is considering?**
- a. 10%; \$400,000
 - b. 20%; \$200,000
 - c. 25%; \$160,000
 - d. 30%; \$133,333

117. A large shipping company is looking for raw land to build a warehouse. The company is looking for ten to fifteen acres. You have found a parcel you think might fit the company's needs. The survey and tax maps show the rectangular parcel to be 452 feet by 1061 feet in dimension. What is the total acreage?
- a. 11
 - b. 12
 - c. 9.5
 - d. 16
118. A certain area in New Jersey has an average vacancy rate of 4.5%. An investor is looking at an apartment building as an investment. The building has 90 units with 14 units unoccupied. What is the vacancy rate of the subject building and is it higher or lower than the average?
- a. 2.2%; lower
 - b. 6.4; lower
 - c. 15%; higher
 - d. 45%; higher

New Jersey Real Estate Practice Test - Section 14
Duties and Powers of the Real Estate Commission

119. If the New Jersey Real Estate Commission decides to pay a visit to a real estate office, how much notice must it give the broker?
- a. No notice is required. They can show up anytime.
 - b. Within 24 hours of personally speaking with the broker.
 - c. The commission must give 5 business days written notice.
 - d. They must make an appointment with the broker and the broker must accommodate the commission as soon as possible.
120. An agent commits fraud and is guilty of one offense. The New Jersey Real Estate Commission can fine the agent instead of or in addition to license suspension or revocation. What would be the maximum amount the agent could be fined?
- a. \$50,000
 - b. \$25,000
 - c. \$10,000
 - d. \$ 5,000

New Jersey Real Estate Practice Test

Answers with Explanations

1. a - The broker-agent relationship clearly defines agency. The broker is the principal who empowers the agent to act on his behalf to sell the office listings and procure listings for their customers. The agent must always act in the brokers best interest. The best way to remember agency is: do you work with someone or for someone? You work for your broker - you work with your fellow agents. To whom do you owe a fiduciary duty? And remember, if not a principal, the person you work with still deserves fair and honest treatment.
2. b - You should always discuss any information you have regarding a buyer's inquiry or an offer with the seller before responding. It is the seller's decision to make on how to respond to a buyer. A real estate salesperson is to provide guidance and assistance. The seller is the principal and you have a fiduciary responsibility to deal with them honestly and fairly with their best interests at the forefront. You would never instruct the cooperating agent to give the buyers direction without first consulting the seller. The agent should show the property and if interested, the buyers make their best offer.
3. a - The broker has a fiduciary responsibility to the seller, who has hired the broker to sell her house and will pay the broker when the house sells. A fiduciary owes trust, duty and confidence to her principal, the seller. In answer b, the agent is the fiduciary to the broker, his principal. In c, unless the buyer of the property bought the house through the listing broker, the broker does not have fiduciary responsibility to anyone except the seller.
4. b - A disclosed dual agent must be given permission in writing to act in that capacity before attempting to do so. Each buyer and seller must be given a Consumer Information Statement at first meeting and they can choose the way they would like their agent to represent them. When both the buyer and seller of a property are working with agents from the same office, it is a Disclosed Dual Agency and buyer and seller must be made aware of this, as well as making sure the agreement of sale reflects the disclosure in writing.
5. d - A limited power of attorney is a specific designation that is for a one time or limited use. A real estate closing is a perfect example, as it is limited to a one -time representation. Sometimes the real estate agent can also act on behalf of the buyer or seller with the proper documents. A limited POA expires when the task is completed. A general POA is a broad agreement that gives the recipient the power to act as the principal in all matters. A good example would be an aging parent who names a child their POA to assist them in a wide range of matters. A durable POA does the same thing as a general, but the general POA would end if the principal was no longer mentally capable to make decisions. The durable continues beyond the incapacity. A springing POA only takes effect after the principal becomes incapacitated. Persons granted the duties in a power of attorney should sign their name as follows: Jane Doe, by attorney-in-fact John Doe, and the POA is sometimes called the agent.
6. c - The Consumer Information Statement (CIS) is the first thing you should discuss with a prospective client or customer. Prior to discussing any business, the client must be made aware of how you will work with them and who you represent. If your first meeting with them is on the phone, you must explain the options they have before you get into specifics and go over the form

and have them fill out and sign upon first meeting them. Up until the late 1990's, most consumers thought that the agent that they worked with represented their interests. But before the CIS, most agents working with buyers worked for the seller, because the seller would pay the agent's commission when the sale closed. The introduction of the CIS explained representation and gave consumers choices in how they were represented. Now buyers and sellers can both pay their agent if they choose to do so. Either way, both parties are informed.

7. c - You are working for Alice as a sub-agent. A sub-agent is a real estate agent or broker who represents a buyer in a sale, where the agent or broker is not the listing agent. In this case, you are the sub-agent to Alice, and agent to your broker at Alpha Realty. The principal is the seller, his agent is Alice, the broker. Mary is an agent to Alice, her principal.
8. d - Just because the seller is no longer your principal does not mean that there is not duty of confidentiality. A duty of confidentiality survives the expiration of the listing agreement. Even if you have a broker agreement with a buyer, you cannot divulge anything told to you in confidence under a principal-agent relationship. If anyone else had given you this information, or if the information came to the buyer through an independent means, it would be permissible to advise the buyer with the information to get the best possible deal.

There are six duties an agent has to a principal:

1. Obedience - to take direction from the principal
2. Loyalty - put the principal's interests first
3. Disclosure- disclose anything to the principal that could help or hurt them
4. Confidentiality - do not repeat anything that the principal told you in confidence
5. Account - keep the seller informed and safeguard any money they may entrust to you
6. Duty of reasonable care and diligence - use all skill to best of ability on behalf of principal

Duties to third parties include fair and honest treatment, following the letter of the law, and giving someone information about something that could potentially hurt them, even if you don't represent them.

9. d - Choosing to switch to another broker will not terminate a listing agreement. The listing is a bilateral agreement entered into by mutual consent. The other three choices are some of the ways an exclusive right to sell listing agreement is terminated. A principal can ask a broker in writing to let him or her out of the contract but the broker is under no obligation to agree. If the seller were to go ahead and list with another broker without a written release, the seller may be liable to pay two commissions if the house sells before the first broker's contract has expired.
10. d - A licensee in New Jersey does not have to work as an "agent" in the fiduciary sense of the term in all relationships. They can work as a transaction broker, a different approach to working with buyers and sellers. Transaction brokers can find houses for buyers and buyers for sellers. They represent neither and have a loosely defined relationship with both. They simply help the transaction along, or help facilitate the completion of the sale, while treating both with equal care. There is no fiduciary relationship with the transaction broker. Transaction brokers have no confidentiality requirements but must be honest and fair with both parties. A consumer would be wise to draft an agreement for the broker to sign containing any agreed services they expect from the broker. The seller pays the broker in most circumstances and the terms should be in writing.

11. b - This booklet, introduced in 1976, remains the definitive tenant-landlord guide. It keeps agents, tenants and landlords informed on the issues involved in renting/leasing real estate. Available in English and Spanish, you can find information regarding security deposits, the ADA, public housing, mobile home parks, smoke detectors pets, etc. This pamphlet should be given to new tenants, is available online and can keep everyone informed and compliant. Truth in lending is given to consumers who are borrowing money and Consumer Briefs are published by the New Jersey Division of Consumer Affairs.
12. b - The Mount Laurel decisions in 1975 changed the way the state became involved with local implantation of land use and zoning. Although compliance was at a minimum, causing secondary action to be taken, the decisions were far reaching and still apply today. Affordable housing is described as housing that requires thirty percent or less of the renter or owners' income. Municipalities are to use the guidelines of eight to one, one affordable unit for every eight higher priced units. They can also choose to use the affordable housing obligation to build senior housing, or to pay another town to take their allotted affordable housing responsibility.

Jenkins v. Morristown, the Supreme Court of New Jersey held that the state's education commissioner had the authority to mandate the of school district boundaries to foster racial balance in the educational system.

Clove Hill Swimming Club v. Goldsboro, the New Jersey Supreme court ruled a private swimming club could not base membership on race. Abbot v. Burke provided for funding for poorer school districts to ensure students receive an education in accordance with the state constitution.

13. b - It is the seller's responsibility to pay for the transfer fee at closing. The deed to the property cannot be recorded without the fee being paid, and the closing cannot be completed until the fee is paid, usually from the sellers' proceeds. The rates are calculated on a sliding scale and based on the sale price of the property that was on the recorded the deed. The profits of the fees are shared by every county in New Jersey.
14. d - The Pinelands Protection Act became law in 1979 after citizens, scientists, agriculturists and many others sought protection for what is possibly our states most precious resource. Built on the back of the Pinelands Preservation Act it became apparent that in addition to scores of plants, trees and wildlife that our forests and especially our water resources needed permanent protection. Safe from development are about a million acres of Pine Barrens and many underground aquifers containing an estimated trillion gallons of water.
15. b - This law was put in place to protect New Jersey residents when they are looking at property in other states. If you are dealing with someone in a state that does not have stringent laws in place to protect the buying public, New Jersey will make sure their residents will be given certain rights. For example, New Jersey has a 7- day rescission period to give the buyer time to get all the facts they need if buying a long way from home.
16. a - You must disclose the fire as soon as you are made aware of it. Leaving it to the buyers and their inspector to find it puts you in jeopardy for a non- disclosure/ fraud complaint. Once you know, everyone should know. Yes, you work for the seller - and protecting him from a lawsuit is your duty. You also owe the buyer fair and honest treatment. Reducing the purchase price and having the seller repair the damage is a possibility, but once disclosed, the buyers may want to handle it in a

different way, like have the repairs done by someone of their choice and negotiating a credit amount from the seller.

17. c - Rebates to buyers must meet stringent guidelines to prevent misuse. Only a broker can offer a rebate, and only to a buyer. The buyer must be purchasing residential property, the rebate can only be given as a credit (never cash) and the buyer must be advised to contact their tax consultant to see what effect the rebate may have on their taxes. Finally, everyone involved in the sale must be made aware of the details of the rebate.
18. c - A broker is permitted to have an office in his or her own residence. The entrance must be separate from the residence but clearly marked and easily found. Signage noting the office should clearly state the entrance location. Note, a broker cannot have an office in the residence of another real estate agent, only his or her own.
19. b - You must submit every written offer to the seller within 24 hours. You can call the seller immediately to go over terms, but the contract itself should be presented in person or by fax or email within the 24- hour period. You may never take it upon yourself to accept or reject any offer. You have a fiduciary responsibility to the seller to work with all agents. Verbal offers do not fall under the 24- hour rule, and many agents will not accept or present verbal offers. Offers should be in writing and include an earnest money deposit.
20. b - To qualify for Farm Assessment, land actively used in agriculture or horticulture must be a minimum of five acres in size. In making the area calculation, land under a barn, shed and seasonal farm market are counted but the land under a farmhouse and other lands associated with the farmhouse are not counted. If the Farm Assessment is used, the qualifying land is assessed at its productivity value.

The official nickname of New Jersey is the “garden state”. Once abundant with fruit and vegetable farms, it is believed that Abraham Browning of Camden stated on August 24th, 1876 on New Jersey Day, that “New Jersey is a barrel, filled with good things to eat and open at both ends, with Pennsylvanians grabbing from the bottom and New Yorkers from the other end.” That led to the garden state theme and in 1954 the nickname became official and was added to license plates. We have more farms than some other states but we have a lot fewer than we used to have. Measures like the Farmland Assessment Act work to reduce the tax burden on farmed land and help preserve the open land.

21. c - A real estate broker must set up a business trust account for the safekeeping of customer deposits. Business and personal funds can never be mixed or co-mingled. The funds must be deposited within 5 business days and the banking institution must be approved by the New Jersey Real Estate Commission. Careful records must be kept and are subject to unannounced inspections by the Real Estate Commission.
22. a - As stated in statute 11:5-6.1, the Real Estate Commission has very clear guidelines for advertising that must be followed whether you are placing a newspaper ad, booking a radio commercial or even setting up the information for an open house handout. When including financial information such as monthly payment, buyers must know that any financial information is based on the qualifications of each specific buyer, and must also contain the words ‘to a qualified

buyer". Any calculations based on a down payment must include the amount or percentage of the down payment.

23. c - Most municipalities in New Jersey have a planning board. One of the duties of the planning board is to form a master plan. The planning board oversees the placement of such utilities as water and sewer lines and other facilities, and makes sure the zoning classifications are well placed and adhered to (residential, commercial, industrial and recreational). The planning board is typically made up of appointed citizens and a few elected or town officials.
24. b - It is very common and perfectly acceptable to offer a market analysis to anyone. The analysis is simply a grouping of homes for sale, and recent sold homes that are comparable to the customer's property. The agent will give pointers on how the properties compare to the subject property to give the customer an idea of what their home is worth. It is not an appraisal, which can only be done by a certified licensed appraiser. The difference between answer b and the others is that the other choices require that the consumer do or commit to something like a listing or closed sale. You cannot offer something that has strings attached just to conjure up business. The laws are very strict when it comes to advertising in the real estate business.
25. c - Estimated taxes are paid quarterly. You could pay each quarter as you go along based on your earnings the previous year. If you end up exceeding last year's income you can pay the balance by April 15th, even if you do not file at that time. Extensions are for the returns, not the money owed.

You will need to keep detailed records regarding your commissions and expenses. Expenses can include such things as signs, advertising, gas and mileage, gifts, business phone expenses and gifts. It would be wise to consult a tax professional for advice. They might suggest that you put an amount of each commission in an account to cover your tax payments. Although many deductions are no longer allowed, as a new agent should get in the habit of keeping track of them in case the law is changed.

26. a - A trust is created by a grantor either while they are living or in a will upon the death of a grantor. A bequest is an item left passed through a will after death. A trust is created to hold assets for the benefit of another person (beneficiary - the son in this scenario), and managed by someone else, the trustee. A trust can be revocable or irrevocable. To become irrevocable, the grantor gives up all rights to change or alter the trust. An irrevocable trust provides some protection from the grantor's creditors that a revocable trust does not. A revocable trust can be managed, changed or revoked while the grantor is alive. Once an irrevocable trust is created the grantor is out of the picture.
27. a - Inducements are frowned upon and most things, even if offered innocently, are forbidden. A free market analysis is the only item you can offer. There are no strings attached, the customer does not have to do anything to receive it and it is allowed in New Jersey. Rebates are generally offered to buyers (if ever) and are loaded with conditions, disclosures and oversight. A market analysis is basically showing someone the general value of their home based on recent sales of like-kind properties.
28. c - Since Joe is a minor, the contract is voidable by him. He can change his mind at any time because he is a minor and cancel the contract. However, he can also hold John to the deal as the minor is the only party who can cancel. John is bound to fulfil his obligations and see the deal

through. If Joe does decide to cancel, he can do so without penalty or repercussions. The contract is valid for John and voidable for Joe.

- 29.** a - Bad credit is the only choice that is a legal reason to refuse to rent or lend money to someone. An applicant needs to show responsibility in paying their bills and taking care of the property.

New Jersey laws are based on federal discrimination laws and take a few steps further to close some loopholes and offer additional protections. New Jersey has some of the most stringent laws in the country. All children, as well as pregnant women, are covered against discrimination, as well as service men and women and people accepting public assistance. Children are an integral part of any family and nobody can be turned down because of a landlord or seller's preferences. You cannot refuse someone in the National Guard a rental apartment just because there is a chance they may be sent out of the country for a period of time. Unfortunately, the occupant remains liable for the rent while they are away, and some organizations have begun to offer some assistance to the deployed person, such as rental assistance and apartment sharing. And the source of a customer's income is not to be considered when screening an applicant. As long as the source is legal and can be confirmed, public assistance is not a reason to reject an applicant.

- 30.** c - Although all of these answers protect waters in some form, it was the Freshwater Wetlands Protection Act that focused on freshwater protection. The flora of the wetlands helps filter our drinking water and the ability to store excess water for the future protects both nature and humans and must remain undisturbed. Prior to the New Jersey Wetlands Act Of 1970, the father of the current Freshwater Wetlands Protection Act, there was dumping, dredging and ruination of plants and wildlife until the Department of Environmental Protection took control, realizing the importance of our groundwater supply and the habitat that protects it. The Highlands Act was more of a planning and growth plan to make sure this well populated area kept growth at a pace that would protect the area that provides water service to a major portion of the state. The Pinelands Protection Act covers a heavily wooded area unique to our state, that also has its own wildlife, fish and water supply and covers a broader area of protection of not just water and plant life but a way of life for people since the beginning of New Jersey as a state. And the Coastal Area Review Act is focused more on waterfront development and the impact it has on our waterways. All are important in keeping New Jersey a safe, healthy and beautiful place to live.
- 31.** a - Not only must the agreement of sale disclose that Smith is an owner of the property, but the listing should have clearly stated the same, and Smith should have verbally informed the buyer before showing them the property. A real estate salesperson, with an interest in the property being sold, has a conflict of interest in the transactions as to the other parties. A real estate salesperson must disclose his or her interest because the other parties have a right to know if an agent will benefit in any way and where his or her loyalties lie. Although the other answers are all parts of a proper sales agreement, the ownership issue is what creates the conflict. Other examples of conflict of interest (without full written disclosure) include referring a friend or relative to furnish goods or services to your client, recommending a property that you stand to benefit from, purchasing your own listing, collecting more than one commission on a sale and helping a relative purchase your listing.
- 32.** b - If a licensee should cause a customer loss of money by embezzlement, conversion or by any other unlawful means, the Guaranty Fund can replace those losses up to \$20,000. Embezzlement is basically where someone who is entrusted with funds intentionally misappropriates them. The

victim must file and win a civil law suit within 6 years of the crime. The money in the fund is collected from a one-time fee for new salesperson licensees and new broker licensees. The licensee committing the crime may also be financially liable, and their license would be revoked until the restitution has been paid. Errors and omissions insurance is a form of liability insurance for professionals that covers claims for negligence.

- 33.** b - Both in state and out of state timeshares are governed by the New Jersey Real Estate Timeshare Act of 2007, regulated by the New Jersey Real Estate Commission. Formed from the original Real Estate Sales Full Disclosure Act, the new act protects consumers and their money as well. It requires developers to file public offering statements, allow for a mandatory 7- day rescission period and safeguard deposit money during that period. The commission also may inspect properties and oversee licensees and field customer complaints.
- 34.** d - A joint venture (JV) is a business arrangement entered into by two or more business entities to accomplish a specific task or project. A JV can be made informally, by a handshake, or memorialized in a joint venture agreement. In some cases, the business parties will form a new business entity to carry out the project, like a corporation or a limited liability company. In other cases, the business entities will enter into a joint venture agreement, where the parties remain separate business entities. Members in a JV share in the management, costs, profits and losses of the project.
- 35.** b - An encroachment is a trespass or intrusion over the boundary line of another property. Many encroachments are found by accident when one of the owners has work done, if they are found at all. The proper remedy is to have your neighbor move the fence to the correct borderline. A survey would establish the legal boundaries. If you allow a fence to stay on your property, the neighbor could eventually lay claim to your land on his side of the fence, stating that you knew it existed and chose to do nothing about it. An easement generally is someone using your land with your written permission, and an encumbrance is a cloud on the title. A restriction is a land use issue in a deed which may limit what you can do with the property.
- 36.** c - Intestate means dying with no valid will. In that case, the estate will be dispersed as per state law. Escheat is when someone has no will and no heirs, and the property reverts to the state. A lis pendens is constructive notice of legal action pending, and eminent domain is the right of government to take private property if it will serve the greater good of the public. The act of taking the property is condemnation.
- 37.** c - The status of trade fixtures change as the rental term begins and ends. They begin as Mary's personal property but become trade fixtures as soon as they are installed. Once the lease ends and Mary leaves, they become the landlord's personal property. For a commercial tenant to be able to remove a trade fixture, the trade fixture must be necessary for the tenant's business, be removable without damage to the landlord's property and must be removed within in the time of the lease. If you know you will not have everything removed, repaired and cleaned by the lease end date, you need to make written arrangements with the landlord as to when you will be finished. He is under no obligation to agree, and you should always make sure you are ready to leave when you are scheduled to go. The owner could have signed a new lease to start the next day and if you cause him any monetary loss it will be your responsibility to pay it.

38. d - A life estate begins when the grantor conveys the estate to the grantee. During the lifetime of the person's life to whom the life estate is based on, the occupant can use the property, lease the property or convey her life estate interest in the property. A life estate is often based on the life of the person granted the estate and occupying the property, but it can be based on the life of anyone. Before Tom passed away, he held a remainderman interest, meaning a future interest in a fee simple estate. If Tom dies before Aunt Betty, as the scenario indicates, the remainder interest will go to who is named in his will (Emma), but she must honor the life estate if it still exists.
39. c - Joint tenancy is a form of ownership with rights of survivorship. It is formed when the intent of the parties to own property as joint tenants is stated in the documents evidencing ownership, like in a deed. Joint tenants each own the entire property. In this scenario, if Jack dies, Karen will then own the entire property in severalty, meaning as one owner. When an interest in joint tenancy is sold by one of the owners, the ownership converts to tenancy in common. Tenants in common do not have survivorship rights. Further, unlike joint tenants, tenants in common can hold different amounts of interest in the property, like one party can own 25% and the other have 75% interest. Although, even in tenancy in common, the owners have a right to use the entire property. A tenancy by entireties is held by married couples and also has survivorship rights.
40. d - Even though it may seem odd, a property owner can sell or lease the air rights they own above their real estate. Simply put, air rights are a property owner's rights to the air above them, which is included as part of their property. If zoning laws permit, you could build as high as allowed, and you could sell the air rights as well. In Manhattan, air rights sell for an average of \$225 per square foot, according to the planning department. Compare that to the national average building cost per square foot of \$64.44, according to the census bureau. But do not put the sale sign up yet! Because of air traffic the government can regulate the air space just as our waterways are controlled. Navigable water is controlled by Congress, as our waterways were and still are an important necessity of commerce. You have no right to cross your neighbor's property without express written permission or easement. The sale of firearms is strictly enforced and laws vary by state, county and municipality.
41. b - This would be a zoning issue. Building codes regulate structures as to placement, setbacks, land use, materials, number of bedrooms and parking spaces, electrical and plumbing etc. Certain areas may have other codes determined by the weather patterns such as wind, flooding and earthquakes.
42. b - The only legal remedy is to use the power of eminent domain. The government has the power to seize private property by legal means and use it to benefit the public. The act of taking the property is called condemnation and the displaced owners must be given fair market value for their homes. It is very difficult to remove people from their homes. Towns and cities must weigh the benefit to the majority of the people in relation to disrupting people's lives. Originally used for governmental projects and utilities, eminent domain has started to be used to give property to private enterprise, reasoning that it will bring jobs, tax revenue and other benefits to a community. Taking private property for use by private enterprise has made eminent domain controversial.
43. a - A deed restriction is a limitation on the use of the property that is placed on the deed by its owner, typically when it is transferred by deed. The transferee or buyer voluntarily consents to the deed restriction and agrees to abide by it. It applies to all future land owners, except if limited by a time limit. An example of a deed restriction is a limit to build a house in a certain style or with a

certain size. In this scenario, by putting a deed restriction in the deed, it will remain a single undivided parcel. Many homeowner associations of planned developments enforce deed restrictions, often called restrictive covenants, that the developer may have put in the master deed, such as pool size restrictions, vehicles, paint and roofing colors etc. A deed restriction cannot be for an illegal use. Many very old deeds contained restrictions against ethnicity, which were no longer valid as discrimination laws were formed.

44. c - Most municipalities have special assessments from time to time, usually to fund a repair or improvement not included in the municipal budget. A BID is similar, but works in different ways. As a business owner in a BID, the municipality may impose a special assessment for “the purpose of promoting the economic and general welfare of the district and municipality”. The BID is controlled by a District Management Company (DMC) and the business owners may sit on the board of directors. The DMC determines spending. The DMC can be funded by assessments on commercial buildings who will benefit from the assessed funds as well as several other sources. A potential BID business may want to search for any upcoming assessments prior to moving.
45. a - Lead based paint (LBP) has been a hazard for many years. The use of LBP was halted in New Jersey in 1971, but not nationally until 1978. About 65 million houses built before 1978 are thought to contain some lead paint, and for that reason buyers and tenants need to know about the dangers involved and how to protect their family. Each buyer or tenant renting for a period over 100 days must be given a pamphlet by the seller or landlord and the agreement of sale or lease must contain an addendum that requires the signatures or initials of the buyers, sellers and salesperson. Sellers must disclose any prior knowledge of LBP and the results of any tests or inspections ever done on the property. Buyers are given a 10- day period in which they may have the home inspected for LBP. The danger of LBP lies in the chips or dust so remediation must be done professionally.
46. b - The basis of the income approach is using the income that is generated to establish the value of the property. In this method, the income must be enough to cover expenses and a profit margin for the remainder of the economic life of the property. The economic life is the time period in which the income produced remains higher than the value of the land it is built on. You also need to establish potential gross income - what a fully rented building would generate. You will use income, expenses and the capitalization rate to establish the property value. The cap rate is the percentage amount representing return on your investment. Sounds confusing but following the formula is not as difficult as it seems. The sales comparison is used mostly for residential properties and consists of taking like-kind houses, adjusting for any variations from the subject property. The cost approach can be used to calculate replacement cost or reproduction cost. Replacement cost is what the dollar amount would be to a property taking the place of the building you are appraising, similar in size, features and use. Reproduction cost would give you the cost of an exact duplicate at current prices. Both methods are used for buildings that have little or no comparables, such as historic buildings, museums, police stations etc.
47. d - In a CMA, a real estate agent typically considers lot size, how many bedrooms and baths, amenities, type of heat and air conditioning and condition of the homes. Most agents use 3 sales, sold within the last 6 months and are as similar as possible to the subject property. Then adjustments are made due to the differences between the subject property and the comparable sold homes. This approach is similar to one used by a certified licensed appraiser. But the appraiser’s report goes much further. It is based on comparable sales, but also uses the principal of

substitution, highest and best use of the property and other formulas to get the most accurate estimate of value. An appraisal is an estimate because the only way to know what a property is really worth is what a ready, willing and able buyer will pay for it. To find comparable properties, an appraiser would compare neighborhoods as well as certain features of the homes.

48. a - The cost approach to appraisal is typically used when none of the other methods would work, usually because the property is somewhat obscure. Simply put, it is based on land value plus the cost to duplicate the property minus depreciation, which can be wear and tear of the building or factors from the surroundings such as blight or a conflicting zoning change. It would be very difficult to find comparable sales for an old hospital. Other properties appraised by the cost approach would be sports arenas, schools and churches. Land value does not often change much except during municipality re-assessments. But building values change based on many factors. Is it in the best place for the use of the property? Would you place a nightclub next to a senior housing complex? Condition is important, a building in poor condition cannot be compared with the same building in excellent condition. The one that needs repairs must be depreciated, which means to deduct what it would cost to bring the dilapidated building up to the condition of the well-kept building.
49. c - Equity is the monetary difference between the appraised value of your home and any debts against the home like a mortgage or any other debt secured by the property. Here, the facts say the property is appraised at \$325,000 with a mortgage balance of \$160,000. If you minus the \$160,000 from the appraised value of \$325,000, it leaves you with \$165,000 in equity. The other numbers involved in the question are red herrings.
50. d - External obsolescence is a loss in value caused by external factors such as an airport or sewage treatment plant nearby. Even though they are not a part of your property they can still affect the value due to noise, odor, traffic as well as other undesirable features. These things cannot be controlled by you as the owner and will remain as a deterrent to appreciation. This is one of the examples that an appraiser would use when depreciating a property using the cost approach, along with Functional Obsolescence and Physical Deterioration. Functional Obsolescence is a curable issue. It is based on a property that is outdated by the current standards such as small rooms, not enough bathrooms or parking spaces, etc. Fixing some of those problems could raise the value by making the property desirable to a larger group of potential buyers. Physical Deterioration is a loss in value due to excess wear and tear and lack of maintenance, also curable.
51. d - Appraisers sometimes work independently and others work for specific lenders. Appraisers now have guidelines that they follow to make sure the public does not overpay. The cost of an appraisal through a lender should be no more than an appraisal through a lender. Of course, some jobs will cost more, difference between a small house and a hi-rise building are immense. Time and expenses are also taken into consideration.
52. c - A house with a mortgage must be insured for the term of the mortgage. Together with principal, interest and taxes, insurance is part of the mortgage payment each month. When determining if a potential homeowner has the means to pay the mortgage, the bank will take the mortgage payment and add the other revolving debt payments the applicant has, and compare the debt to the applicant's monthly income to make sure the income can handle the debt. These are called qualifying ratios. If an applicant qualifies, the bank will consider the mortgage application.

53. c - There are many different types of mortgages and loans. One of those is the adjustable rate mortgage (ARM). Most loans are fixed rate, meaning the interest rate on your mortgage will stay the same during the life of the loan, usually 30 years. An ARM is flexible, with rate changes based on several factors. One is the margin, basically the lender's profit. Another is the Index, based on different financial markers, for example Treasury Bills, MTA's or LIBOR. The initial rate starts lower than the current rate and is fixed for a specific time. After that time period is over, the rates will change (often yearly) based on the market indicator the index was based on. The amount the rate can go up or down is capped at a certain percentage, and the amount the loan can change in its lifetime is capped as well. ARMs are popular in a climate of rising interest rates. Instead of being stuck with a higher rate for 30 years, you can benefit when the rates go down again without the time and expense of refinancing.
54. c - Points will be one of the things a borrower discusses during a mortgage application process. In times of low interest rates, or if the borrower is buying a starter home, points may not be needed. But in higher rate periods or if a borrower is buying a forever home it can make a big difference. A borrower can recoup the cost of the points in a relatively short period and the points are tax deductible in the year they are paid.
55. d - The TRID combined former disclosures contained in the Truth in Lending Act (TILA) and the Real Estate Settlement Procedures Act, (RESPA). Now known as TRID, the TILA-RESPA Integrated Disclosures, it is also referred to as the "know before you owe" consumer financial education initiative. Introduced in October 2015 and revised in January of 2019, it serves as a settlement sheet and disclosure coverage. Since disclosures refer to most consumer credit transactions secured by real property, the above examples may not be bound by the current form. However, a balance sheet is helpful in noting debit and credit amounts for both parties. The HUD-1 showed money coming in and then dispersed out as well as prorations for taxes and utilities and made it easy to see what transpired in the process of transferring property.
56. b - When purchasing a property, most people will need to obtain a mortgage loan. Consumers are given disclosures to protect them and educate them about the lending process. The loan estimate describes in detail the features, costs and risks of the loan that is chosen. The consumer must receive the statement within 3 business days of submitting their mortgage application. The consumer will also receive a Closing Disclosure 3 days prior to settlement. This contains the closing costs, which were also given in the loan estimate and the customer should compare the two documents to make sure nothing has changed unknowingly.
57. d - The Loan to Value Ratio is used by lenders to understand how much liability they will have when processing a loan. It is the percentage of the price paid for the home divided into how much is mortgage and how much is the borrower's own money. The higher the down payment, the lower the risk for the lender and a higher commitment from the borrower. Some borrowers with lower credit scores or income ratios may only get a conventional loan if they put down a higher amount, which is why we had the need for the government insured loans. To arrive at the loan to value ratio, start by subtracting the down payment (\$32,000) from the sale price (\$160,000) to get the mortgage amount (\$128,000). Then divide the mortgage amount by the sale price as a percent and that should give you the ratio - 80%.
58. c - A large part of determining what kind of loan a borrower qualifies for depends of his or her credit score. As with the down payment and total income, the credit score will show the lender

what kind of risk the borrower is. According to Experian, scoring is based on 5 factors, each contributing different levels of importance to your total score. The most important is your payment history, which counts for about 35% of the total score. Next is utilization and keeping your credit balances low, which counts for about 30% of the total score. Next is length of credit history, the longer the better, which counts for about 15%. The fourth factor is recent activity. If a bank sees you attempting to borrow other money just before or during the current application, it's a red flag. Recent activity counts for 10%, as well as credit mix, meaning how diverse is your revolving debt. These five things can help you attain good if not great credit, and can open up a world of possibilities.

59. b - Before a borrower even thinks of looking at houses to purchase, he or she should visit a mortgage company or bank (or both) and find out what it takes to get financing. The borrower needs to know how the process works, and the first thing the lender will do is to see how much of a mortgage the borrower can qualify for. This is called mortgage pre-qualification. That will decide (depending how much money the borrower has for a down payment and closing costs) what price range the borrower is limited to.
60. c - Government Guaranteed Loans, commonly known as VA or GI loans, were established in 1944, to assist the men and women returning from World War II. In order to make it easier for veterans to buy a home, the Department of Veteran Affairs passed the GI bill, and a large part of that bill was the government guaranteed VA loan. The government would guarantee 25% of a veteran's mortgage (up to \$36,000) on a property up to \$144,000 and the guaranteed portion is called an entitlement. This allows the veteran's money to go much further. The amounts are set by the FHFA and can change over time depending on area and rising housing prices. In 2018 the average price of a home in the U.S. was \$315,000, reinforcing the need for assistance to those who serve. There is also a secondary entitlement available in the amount of 85,067, when added to the first amount gives the veteran up to \$121, 087. This could be used as a 25% guarantee of a more expensive home (as long as the buyer qualifies), or a second property when the first entitlement is still in use. The entitlements remain the same even if the buyer defaults on a loan. Other benefits of a VA loan include little to no down payment, no MIP (Mortgage Insurance Premium) utilization of both entitlements at the same time and the ability for qualified spouses and even children to retain a deceased veteran's benefits.
61. b - An encroachment is when one person's property extends over the property line of another. The issue is most commonly found with fences, and usually by accident. If a structure looks like it may be over the line, it should be disclosed. The best way to find out is to have the property surveyed. A professional surveyor can mark the boundaries and certify any encroachments. In the event that you do have an issue, it needs to be addressed. Fixing the problem will make the house more desirable to buyers who will not want to tackle the problem themselves. The best way to start might be to explore the situation with your municipality and speak with an attorney if necessary. If you do not feel it is a problem and decide to ignore the situation, it could cost you a sale or end up in court afterwards.
62. a - A variance is seeking permission for a non-conforming use while a building permit is applying for a permit to build on a conforming property. A variance request is filed with a zoning board. The zoning board will notify neighbors to ask for any objections to be raised at the zoning board meeting. After the case is heard, the board will take the information into consideration. If a

variance is granted, the owner will still need a building permit to proceed. Building permits are obtained from a different office than zoning, typically from a local construction and building bureau.

63. b - The former owner disclosed that the tank had been replaced but not that the tank had leaked. He also did not have the tank removed properly as there was no soil testing during removal or installation. Soil must be tested and removed if oil is found. Even though it may be years later, the seller remains liable under environmental laws like the Resource Conservation and Recovery Act enforced by the EPA.
64. d - Every buyer and tenant must be given this pamphlet from the EPA regarding the risks of lead-based paint and lead from other sources. Aside from paint, lead can be found in soil from flaked outdoor paint or old leaded gasoline leaks. Lead can be found in water, old painted toys and glazing on pottery or porcelain. The pamphlet is available on the EPA's website and is for both state and federal lead notification requirements.
65. b - A latent defect is something that cannot be easily seen. The other answers are visible to the naked eye, while mold can be difficult to detect. Even a home inspector would not know of mold behind the drywall as the wall would have to be torn down for him to see. When you are buying a house, you need to protect your investment and have the home inspected by a certified home inspector. If mold is a concern you could hire a mold specialist to have the house checked. Homes near water or in a damp climate can certainly have mold. Any former leaks or flooding could cause a large mold problem if not treated right away.
66. b - All money has to be accounted for in a real estate transaction. You are required to sign a document at the settlement table stating that no money has changed hands outside of the contract. The buyer could be defrauding the lender and the seller would not be paying his share of the NJ Realty Transfer fee. Usually this would be accomplished by using two contracts, one between buyer and seller and one for the lender. Called a dual contract, it is illegal. A dual contract is void from the start. It is legal to buy and flip property, as well as use a straw buyer. However, there is a high potential for fraud in some straw buyer situations. Normally, a famous person or business owner may want to conceal their identity to assist in their negotiations, so they have another person put their name on the contract. The lender must be fully informed, and the straw buyer has no rights or interest in the agreement. And, parents can give money to their children in the form of a gift letter in certain circumstances, like some FHA loans.
67. c - A voidable contract is a contract that is binding on one party and the other party has the right to rescind it or legally avoid its contractual obligations. A void contract, on the other hand, lacks one of the requirements to form a contract and is binding on neither party. Only answer c involves a voidable contract. If the buyer can prove he or she was intoxicated and did not have the intent to be legally bound, the buyer can cancel the contract. The seller would be bound to the contract and would not have any right to rescind based on the buyer's condition. Answers a and b lack consideration needed for a valid contract, i.e. the seller must own the property in fee simple to convey it. Answer d involves a contract with an illegal purpose.
68. d - The contract is voidable due to the seller's unintentional misrepresentation of a material fact (consideration) with the buyer having the right of rescission. An unintentional or intentional misrepresentation of material fact results in a voidable contract. An unintentional

misrepresentation is considered the result of negligence if the person making the misrepresentation should have known the truth of the material fact. An intentional misrepresentation is considered fraud. A material fact to a contract is a fact that a reasonable person would consider important when deciding to enter into a contract. Only the party negatively affected by the misrepresentation has the right of rescission. In this case, the buyer can either decide to keep the contract or rescind it. With the power of rescission, the buyer is in a position to renegotiate a lower price.

69. a - The contract is voidable. Voidable contracts are legal and valid. The voidable contract is binding on the seller, but the buyer can cancel it due to his status as a minor if he wants to get out of the contract. The terms of the contract cannot be enforced against him if he chooses to cancel the contract.
70. c - It is the delivery and acceptance that constitutes delivery of the deed. By signing the deed, the seller (grantor) shows his intent to pass the property to the buyer (grantee). By accepting the deed, the buyer has taken possession of the property. Delivery does not take place when the seller gives a signed deed to the seller's attorney, but if the seller gives the signed deed to buyer's attorney that could be considered delivery if authorized by the buyer.
71. c - Sometimes called the notice to buyers and sellers, the attorney review form must be attached to all real estate contracts in New Jersey and signed by both buyers and sellers. It informs them of who the agents represent and the reasons for being represented by an attorney. An attorney can assist in some or all of the buying and selling process from start to finish. New Jersey is unique in that the northern part of the state does business like New York (lawyers almost always are involved and handle the settlement) and the southern part like Philadelphia (title companies often conduct the settlement and not everyone uses an attorney). The notice informs all residents of the benefits of having an attorney. After the contracts have been fully signed and initialed by all parties and everyone has their copy, there is a 3- business day period where an attorney can review the contract and either approve or disapprove. If approved, the contract will move forward. If disapproved, the attorney may suggest some changes and negotiations begin. That can result in a new contract or a dead deal. The three days start on the first full business day after signatures and received copies.
72. c - Specific performance is a remedy that is typically sought by an aggrieved buyer when a seller wants to back out of a valid land sale contract. With specific performance, the court orders transfer of the land to the buyer and payment to the seller. Specific performance is suited to real estate transactions because land is unique and monetary damages may not fully compensate an aggrieved buyer.
73. b - A condition precedent to a contract is a condition that must be fulfilled before the obligations of the contract become binding on the parties. For example, a real estate contract will typically provide a contingency that the buyer must obtain financing in order to complete the transaction. Should the financing not be approved, the contract may be terminated by the buyer for failure of a condition precedent. When this occurs, it is not a breach of contract. Failure of a condition subsequent would refer to a condition after the formation of the contract.
74. b - The Uniform Electronic Transactions Act was enacted in New Jersey in 1999 "to facilitate the use of electronic records and signatures in interstate or foreign commerce." With this Act, companies,

governments and private individuals have been able to streamline the process of doing business by ending the tedious distribution of documents by mail, courier or overnight services. A safe and speedy way to complete transactions, private sector electronic commerce is crucial to the standing of the United States in the global market. When using electronic signatures, the signing parties should all agree in writing to do so, and e-signatures cannot be used for matters handled by courts such as wills, trusts etc. The UETA is used by most states.

75. d - The best way to remember the difference between bilateral and unilateral contracts are their prefixes, bi and uni. A bicycle has two wheels, a unicycle has one. A bilateral contract is a promise between two parties that requires each party to perform. A unilateral contract is a promise that one party must perform and the other party does not have an obligation to perform. An example of a unilateral contract is an option contract. In an option, the seller offers his property for sale at a certain price for a specific period of time and the buyer gives the seller a deposit to hold that agreement. The buyer can choose to purchase the property or refuse and forfeit his deposit. The seller must sell but the buyer is not bound to the purchase. Another example of a unilateral contract is a contract for insurance, where the insurer makes a promise to cover a loss by an insured if an event occurs, but if the event does not occur, it has no obligation to pay. An example of a bilateral contract is a land sale contract where a seller promises to sell and a buyer promises to buy real estate and the exchange depends on both parties performing.
76. c - There are a few differences between an amendment and an addendum. An amendment is made to terms that already exist in a contract, typically by crossing out and initialing the terms that are changed and adding additional language for the revised terms. An addendum, on the other hand, adds additional terms not covered by the original contract, by attaching a new document to the written contract. In answer c, an addendum will be needed to add a provision that was not previously addressed in the original contract. The other three answer options are changes to terms that already were covered in the original agreement.
77. c - A bilateral contract is a binding agreement between two people where each party has made a commitment to perform something in return for something else. The landlord promises to give the property to the tenant for the term of the lease and keep the property in good order, and the tenant promises to pay the rent on time and cause no harm to the property. The interest the tenant has during the next year is a leasehold estate or estate for years, an interest with a beginning and an end. The landlord has an estate in reversion, meaning that the property will revert back to them after the leasehold has expired.
78. c - Time is of the essence means that all parties to the contract will perform and complete their responsibilities by a certain date. Failing to perform on time results in a breach of the contract. Without a time is of the essence clause, contracts may be interpreted to allow a reasonable time to perform, and if and when a contract is breached is more indefinite. In this scenario, if Rachel's contract did not have a Time of the Essence clause, it would be advisable to include a Time is of the Essence clause into the contract with an agreement on an extension, so Steve will be motivated to be ready on time at the next closing date, and if he's not ready, Rachel can declare a breach if she so chooses.
79. d - When Carl made a counteroffer to John, it cancelled John's counteroffer. A counteroffer negates the previous offer. In the scenario, there is no offer left to accept as all offers were either cancelled by counteroffer or rejected.

80. d - Although there seems to be ethical issues with this action, it is the seller's right to handle the situation as they see fit. The National Association of Realtors Code of Ethics does not prohibit the disclosure of terms of other offers. You are bound to obey the seller's wishes even though you may disagree with them.

What happens when multiple offers are submitted on a property? There are several ways to handle this situation. It's not a good idea to have all the buyers fight it out as you run the risk of losing them all. That usually happens when you counter all of the offers at the same price. But the seller makes the decision how to handle the situation, you are there to assist and support their decision. One solution is to have each buyer present their highest and best final offer and the seller will choose the one that works for them. It may be the best price or the best terms or both. Sometimes this is done by sealed bids with a cutoff date when all the offers will be opened and one will be chosen. Sellers can also counter an offer that they find attractive except for one item and put the others aside for a day or two.

81. b - If you are going to hire someone who is related to you to perform a service for the building, it needs to be disclosed to the principal. It can be considered a conflict of interest and the decision must be the principal's to make. It may be an asset to him to have someone you trust in the position, but it could also lead to favoritism, or worse. The other choices are minor things that may have been covered in the agreement, but are not necessarily a breach of duty unless something else had been agreed upon.
82. b - The tenant will pay most or all of the building expenses in a net lease. It is typically used in leasing commercial real estate. The fixed rent is usually lower than normal to compensate for the cost of the building expenses. Also called a triple net lease in New Jersey, the expenses cover whatever is in the lease including utilities, water and sewer, property taxes, repairs and insurance. In a gross lease, the seller pays for most of the building expenses, for example a residential lease.
83. c - The state of New Jersey limits the amount of a security deposit to one and a half month's rent. Any additional deposit such as a pet deposit is limited to no more than 10% of the security deposit.
84. c - A continuation or "run-down" is a last-minute update to the original title searches. Since the title company is insuring the title, they must make every effort to find anything that could cost them money. The examination of title is the title company or attorney studying the report prior to the title report or commitment being prepared. Schedule B-2 is the part of the ALTA settlement sheet that deals with liens. An exception is a summary of what the title insurance does not cover, such as governmental acts like condemnation and zoning issues.
85. c - Your county, or the county where the property is located, maintains public records of all sorts in the County Courthouse. There is a clerk or registrar who will record and maintain these records. Anyone can look at these records, sometimes for a fee. The ability of the public to have access to these records serves as public notice. In this manner, the deed recording gives constructive notice, meaning it is available to anyone who wishes to view it and establishes a reasonable person standard of notice. A buyer cannot claim to not have had notice of a deed if it was of public record and a reasonable person would have checked and known of the deed.

86. a - Water and sewer are paid in advance, sometimes yearly or bi-annually. It is likely that the seller would have money coming back to him. Sometimes, if the bill is due close to the settlement day, the seller will not pay it, the title company or attorney will charge you for it and the seller will reimburse you for the days he owned the property. Homeowner's insurance should be cancelled in advance for the day after closing and the insurance company will reimburse the seller. Electricity and cable will also be cancelled by the seller and any money due will be reimbursed to the seller by the companies.
87. c - A title is "marketable" if it is free and clear of from all defects. When a chain of title has defects and a title insurance company agrees to cover the defect in the event it becomes a problem to ownership or value down the road, is considered "insurable". Insurable title can be transferred as long as title insurance covers the defect. If there's a defect in the chain of title and no insurance, the owner will have to repair the problem before he or she can convey marketable title.
88. c - A home warranty is as service contract between the buyer and a home warranty company to repair or replace appliances, plumbing, HVAC systems and other covered systems. Home warranties are not typically used with new construction, which have current manufacturer warranties on new appliances and systems, but with older buildings where the appliances and other systems have not been updated by the seller. The offering of a home warranty can make a difference to a buyer having a hard time making a decision. The costs of the home warranties can differ from company to company and from what is covered. A seller will typically purchase a one-year contract which the buyer can renew on an annual basis.
89. d - The bargain and sale deed with covenants or special warranty deed only warrants the current owner of the property, so title insurance is absolutely necessary. The abstract and chain of title will help to make sure someone in the past has not compromised the title. The following are all used to convey property but with different levels of protection for the grantee:
- Warranty Deed - it offers the most protection to the buyer, mainly because it guarantees the title before and during the grantor's ownership.
- Bargain and Sale Deed - conveys the property with no warranties against encumbrances.
- Bargain and Sale Deed with Covenants Against the Grantors acts warrants that the grantor, or seller did nothing to encumber the title while he owned the property.
- Quitclaim deed - transfers any rights the grantor has, offering little protection to the grantee. But it has it's uses, often used to transfer property within families, or remove a cloud from a title.
90. a - The statute of frauds (NJ Rev Stat 25: 1-11 and 1-13) requires deeds and most real estate contracts to be in writing to prevent fraud and protect consumers. The affidavit of title is a sworn written document in which the seller attests that there are no encumbrances outside of what is in the title searches. The Habendum Clause is the description of what the grantor intends to convey, beginning with "to have and to hold". And the real estate sales full disclosure act was passed to protect New Jersey residents when buying property out of state.
91. b - TILA is the Truth in Lending Act, established to protect consumers from hidden fees when borrowing money. It was merged with RESPA, the Real Estate Settlement Procedures Act requiring

buyers be provided with all the details of their mortgage loan. The statutes were similar but different, and the confusion led to the combining of the two, known as TRID, the TILA RESPA Integrated Disclosures. It still dictates that buyers must be given a written accounting of all the costs of the loan and loan process when the buyer applies for the loan, and includes loan amount, APR (annual percentage rate), payment schedule and other pertinent information. There is much less confusion and more transparency. Answer a is the affidavit of title, title pricing is regulated by the state and the lender will track where the money originates by requiring bank statements, etc.

92. b - A lending bank (mortgagee) on a mortgage loan will require the mortgagor (buyer) to carry lender's title insurance to cover the bank in the event there is a defect in the title that affects its first lien position. The buyer pays for the lender's title insurance. Lender's title insurance is different than homeowner's title insurance. Lender's title insurance only covers the lender. Homeowner's title insurance that covers the homeowner in case of defects in the chain of title is optional to the buyer.
93. b - The Sherman Antitrust Act prohibits acts like collusion in commerce that are meant to unfairly dominate a market on basis that they are anti-competitive. The collusion of brokers to fix commission rates in a geographical region would violate the law. Brokers may charge whatever they want and sellers have the right to negotiate commissions or shop around for the best service at the lowest rate, something they cannot do if the brokers stick together and freeze the commission rate. The term "trust" has a different meaning today than it did in the 19th century when the Act was passed. Today, a trust is a form of asset ownership that allows one to pass assets to another and have it managed by a trustee. In the 19th century, at the time the Act was enacted, the term trust related to collusion or conspiratorial conduct that led to unfair competition.
94. c - Sometimes a real estate agent, who is not a broker, will open a real estate office and for several reasons not be able to obtain a broker's license before opening. They may know someone who has a broker's license and ask them, or pay them to use their license until they can obtain one of their own. The reason we have a broker of record is to make sure the day to day operations are functioning properly and legally. A broker needs to review contracts, make sure money is handled and secured properly and conduct meetings to keep agents informed of new or changing laws and practices. When someone takes the classes and passes the broker's exam, they are ready to assume the duties of opening a real estate business, and not before.
95. a - The New Jersey Law Against Discrimination (LAD) prohibits certain real estate practices that are considered discriminatory. Some examples of discriminatory practices include redlining, blockbusting and steering.

Steering is something that still occurs, some with malice and others by just assuming that the buyers would be "more comfortable" in certain areas. It is ok to show someone homes in one specific area if that is the only place you can find listings in their price range. But every buyer has the right to live anywhere they can afford to live, and where that may be is their decision, not the real estate agents.

Redlining came about when insurance and mortgage companies literally took a red pen to outline the neighborhoods they refused to service because of race or ethnicity. As an agent, you should solicit listings in every neighborhood in your service area, and not exclude homes in ethnic neighborhoods when putting together a list of homes to show your buyers. Blockbusting is used to

intimidate and panic owners in a neighborhood by telling them a minority group(s) is coming closer to their area and that they should sell now before prices go down.

96. d - The first three choices are covered by the ADA. However, current drug users are not covered.
97. c - Businesses involved in the selling or financing of real estate must display both the New Jersey Antidiscrimination poster and the federal Fair Housing poster all real estate related buildings. Failure to do so can cost a minimum of \$100.
98. d - The money must be deposited in the approved broker's trust account within five business days. The financial institution must be approved by the New Jersey Real Estate Commission and the account number must be registered with the commission as well. Each deposit must be kept separately from other customer's deposits. Proper records must be kept as well.
99. d - The seller, for any reason, can stop any real estate office from coming to show his property. Although this sounds improbable, it can happen for a variety of reasons. Usually someone from that office has done something to hurt or offend the seller in the past. The listing broker is bound to let any licensed agent show the property unless the waiver has been signed to exclude them and the excluded party has the right to see the signed waiver. An Exclusive Right to Sell listing can be sold by any licensee and cannot be limited to the listing office. Brokers must always cooperate with each other.
100. b - Some real estate offices consider and treat their agents as employees. Whether an agent is an employee or an independent contractor comes down to certain factors, like how much control the office has over the agent's work and whether tax withholding is done. The more control an office exerts, the more likely it will be that the agent will be found to be an employee by the Internal Revenue Service. On the other hand, most real estate agents work as independent contractors. The agents pay their own taxes, receive no health benefits from the broker, pay for travel and business expenses and the agent builds their clients and customer base. When an independent contractor, the broker is not responsible to provide business opportunities for them.

The written agreement between agent and broker will establishes how an agent will work at a particular office. An employment agreement is mandatory in New Jersey. Like most other binding agreements, it must be signed and dated by both parties. It should clearly explain the relationships are, how the agent will be paid and what is expected of both parties.

101. b - New Jersey statutes (56:8-2) provides that "It is unlawful to, among other things to use deception, fraud, false promise or misrepresentation in connection with the sale or representation of any merchandise or real estate". A broker is not permitted to use the term "sold" on a property until after it has closed. To avoid violations of the statute, brokers must review any advertising written by anyone else, including the client. Ads must identify the brokerage firm and a firm cannot advertise another broker's listing. Ads for listed houses must include the town where the property is located.
102. b - A Net Listing is illegal in New Jersey. A Net Listing is a listing where a real estate broker gives the seller a listing price and keeps only the amount of money over and above the listed price when the house sells. It is illegal mainly because it can lead to serious misrepresentation and fraud. If you tell the seller the house is worth \$80,000 and then sell it for \$115,000, you will be taking \$35,000

for your commission. This is in direct violation of the fiduciary responsibility and why we have these laws and practices. A real estate salesperson is to protect the principal and act in their best interests at all times.

The exclusive right to sell listing is a type of listing where the office that has the listing is the only office who can receive the listing end of the commission when the property sells. An open listing is available to any broker to sell, and that broker will earn the commission. An oral listing is a listing where nothing is in writing and is strictly a verbal agreement.

- 103.** a - This represents a Tying Agreement, which ties the future listing of the property to the broker that represented the client in the initial transaction. This removes the ability of the homeowner to choose the broker who may be the best fit for them when they are ready to sell. It also can allow the broker to avoid negotiating commissions or to spend money on advertising since the clients are captive. Farming is ok, but if there's an agreement amongst brokers or agents to divide geographic areas with the intent of limiting competition it is illegal. A broker can always agree to limit commission rates that would not be profitable. Only advertising on one radio station does not prevent others from advertising with the radio station.
- 104.** c - The New Jersey Do Not Call List prohibits telemarketing to past clients where there is no continuing services being provided and the relationship has been terminated. As far as clients, calls can only be made to existing clients where there are pending obligations to perform and established clients where the agent previously provided continuing services and there's not been a termination of the relationship. Telemarketing calls can also be made to other businesses. Businesses are not covered by the New Jersey Do Not Call List.
- 105.** d - Familial status is concerned with families with children under 18. You cannot refuse to rent or sell to anyone because they have children, unless it is senior housing or the number of children would be over the limit of the municipality rental laws.
- 106.** b - Since insurance will be a requirement of the lender, the buyers must obtain the proper insurance as soon as possible. Since an attorney is not mandatory, having one or not has no bearing on the contract or closing. The utilities and movers also do not affect the sale and as most sellers have the utilities turned off, it is necessary for the buyers to call to resume service and open the accounts after closing.
- 107.** a - You must be at least 18 years of age in New Jersey to obtain a real estate license. If you have an out of state broker's license, New Jersey may waive the instruction requirements but passing the state exam is never waived.
- 108.** c - Fingerprints are required. The applicant must download the proper forms from the Real Estate Commission's web site and follow the instructions carefully. A date and time must be scheduled and a copy must be obtained.
- 109.** d - In New Jersey, you need a real estate license if you work as an auctioneer and auction real estate, even if only occasionally. If you are helping your friend negotiate the purchase of a home and mortgage you need a license. If you help out your landlord by renting apartments in your building and collecting rent, you need a license. Other jobs that require licensure include real estate instructor. In order to apply for a license to teach the pre-licensing course in New Jersey,

you must have been licensed as a broker for the past two consecutive years or have a bachelor's degree.

Not all persons who work in a property management or real estate office need a license. You can work in a property management office without a license as long as you do not collect rent, show apartments or anything else done by a licensee. The same holds true for a real estate assistant. They can put up signs, drop off keys and paperwork and prepare a property for an open house by laying out information, opening curtains etc. without a license. A receptionist may also do those things but may not give any information about property, prices etc. on the phone or to a walk-in customer.

110. b - When John and Mary put 20% (\$40,000) of the purchase price down on the house that amount became instant equity. The appreciation of 10% of their home they paid \$200,000 for equals \$20,000. The total of the down payment plus the amount of the appreciation equals \$60,000. Very little equity would have resulted from paying down the mortgage since the payments in the early years are almost all interest.

111. c - The Loan to Value Ratio is used by lenders to understand how much liability they will have when processing a loan. It is the percentage of the price paid for the home divided into how much is mortgage and how much is the borrower's own money. To arrive at the loan to value ratio, divide the mortgage amount (\$72,000) by the sale price (\$90,000) as a percent and that should give you the ratio - 80%.

112. b - A borrower will pay 1% of the mortgage amount per point as way to buy down the mortgage rate. To determine how much the points cost, first find the mortgage amount and multiply that number by 2%.

Mortgage amount = $\$320,000 \times .8 = \$256,000$

Two points = $\$256,000 \times .02 = \$5,120$

113. d - In order to arrive at the lowest acceptable offer, take the desired amount and divide by 94% (.94). The quotient will be lowest possible selling price to allow for a six percent commission.

$325,000 / .94 = \$345,744$

$\$345,744 \times .06 = \$20,744$

$\$345,744 - \$20,744 = \$325,000$

114. a - The seller owes October, November and the first two days of December. To determine the per diem, determine the number of days in the quarter: October (31), November (30) and December (31), which equals 92 days. Divide the total taxes due by the number of days in the quarter: $\$328 \div 92 = \3.57 per diem.

Next, multiply the per diem by the number of days seller will be in possession: $\$3.57 \times 63 \text{ days} = \224.91 .

115. b - Before you start calculating, you need to remember there are two offices involved in this sale so the first thing you do is to find the total commission and divide it by 2 - half goes to the listing office and half to the selling office. The sale price of \$400,000 x the 5.5% commission = \$22,000.

Each office will receive \$11,000, and that will be split between broker and the agent based on their agreements. John is earning 70% of the \$11,000 commission ($11,000 \times .7$) which is \$7,700. The broker retains the 30%, or \$3,300.

- 116.** b - The capitalization method is a way for investors to determine the current value of a property being considered for purchase. To determine value, the method multiplies an expected net operating income by a capitalization rate. The investor can estimate the net operating income (NOI) by determining the building rent less expenses. In this scenario, the investor has determined the potential NOI to be \$40,000. Next, the investor must determine what capitalization rate to use. A similar property recently sold can be used if the NOI can be determined. In this case, the comparable sold for \$250,000 with a NOI of \$50,000. The cap rate is determined by dividing \$50,000 by \$250,000, which equals 20% or .2. To find the value of the property the investor is looking at, divide \$40,000 by .2 to get the value - \$200,000.
- 117.** a - To convert square feet into acres you need to multiply the lot size of 452 feet by 1061 feet to arrive at the total square feet of 479,572. You then divide that figure by the amount of square feet in an acre, 43,560, which gives you 11 acres. Every real estate licensee should have the square feet of an acre burned into their memory! It will almost always come up in exams and continuing education.
- 118.** c - To determine the vacancy rate of the subject building, the first step is to multiply the vacant units by 100.
- $$14 \times 100 = 1,400$$
- Next, divide the number by the total units to get the vacancy rate.
- $$1,400 \div 90 = 15.5\% \text{ vacancy rate}$$
- The subject building has a vacancy rate of 15.5%, which is substantially higher than the local average. It appears that the building is not performing well.
- 119.** a - The New Jersey Real Estate Commission can visit a real estate office at any time for any reason. They could be there addressing a complaint, checking the books, looking through listings and contracts to randomly inspect or simply make sure the broker's name and the salespersons licenses are prominently displayed.
- 120.** d - A licensee can be fined not more than \$5,000 for the first offense. Additional offenses would be \$10,000. When a licensee reaches a third offense, he can have his license revoked permanently, at the discretion of the Real Estate Commission.

Questions with Answers

An additional practice exam format to make it easier for you to reference answers.

New Jersey Real Estate Practice Test - Section 1

General Principles of Agency

1. Which of the following represents a principal-agent relationship?

- a. A real estate agent and the broker of record
- b. The seller of a listed property and a buyer
- c. A listing agent and selling agent
- d. A broker of one office bringing an offer to the broker of another office

a - The broker-agent relationship clearly defines agency. The broker is the principal who empowers the agent to act on his behalf to sell the office listings and procure listings for their customers. The agent must always act in the brokers best interest. The best way to remember agency is: do you work with someone or for someone? You work for your broker - you work with your fellow agents. To whom do you owe a fiduciary duty? And remember, if not a principal, the person you work with still deserves fair and honest treatment.

2. You have a listing and the activity has been slow. The seller tells you that he really needs to sell, so is open to negotiation. An agent from ABC Realty calls you and has some interested buyers but their price range is lower than the seller is asking. She wants to know the seller's motivation and if he is flexible on his price. What should you do?

- a. Tell the agent yes because you and the seller both need the deal.
- b. Repeat the conversation to the seller and ask for his input.
- c. As the principal in this situation you can do what it takes to close the deal.
- d. Tell the agent the buyers will have to offer full price and hope for the best.

b - You should always discuss any information you have regarding a buyer's inquiry or an offer with the seller before responding. It is the seller's decision to make on how to respond to a buyer. A real estate salesperson is to provide guidance and assistance. The seller is the principal and you have a fiduciary responsibility to deal with them honestly and fairly with their best interests at the forefront. You would never instruct the cooperating agent to give the buyers direction without first consulting the seller. The agent should show the property and if interested, the buyers make their best offer.

3. The broker owes fiduciary duty to which of the following?

- a. A seller who listed his home with the broker.
- b. The salesperson working under the broker who sells that listing.
- c. The buyer of the property.
- d. All of the above.

a - The broker has a fiduciary responsibility to the seller, who has hired the broker to sell her house and will pay the broker when the house sells. A fiduciary owes trust, duty and confidence to her principal, the seller. In answer b, the agent is the fiduciary to the broker, his principal. In c, unless the buyer of the property bought the house through the listing broker, the broker does not have fiduciary responsibility to anyone except the seller.

4. If a listing brokerage employs the real estate salesperson who represents the buyer of an in-house listing, what type of agency results?

- a. Transaction broker
- b. Disclosed dual agency
- c. General agency
- d. Implied agency

b - A disclosed dual agent must be given permission in writing to act in that capacity before attempting to do so. Each buyer and seller must be given a Consumer Information Statement at first meeting and they can choose the way they would like their agent to represent them. When both the buyer and seller of a property are working with agents from the same office, it is a Disclosed Dual Agency and buyer and seller must be made aware of this, as well as making sure the agreement of sale reflects the disclosure in writing.

5. If a buyer is to close on a house but cannot make the closing due to a family emergency, what type of Power of Attorney (POA) can be given to a friend or family member to attend the closing and sign the documents on behalf of the buyer and where the POA ends after closing?

- a. General POA
- b. Durable POA
- c. Springing POA
- d. Limited POA

d - A limited power of attorney is a specific designation that is for a one time or limited use. A real estate closing is a perfect example, as it is limited to a one-time representation. Sometimes the real estate agent can also act on behalf of the buyer or seller with the proper documents. A limited POA expires when the task is completed. A general POA is a broad agreement that gives the recipient the power to act as the principal in all matters. A good example would be an aging parent who names a child their POA to assist them in a wide range of matters. A durable POA does the same thing as a general, but the general POA would end if the principal was no longer mentally capable to make decisions. The durable continues beyond the incapacity. A springing POA only takes effect after the principal becomes incapacitated.

Persons granted the duties in a power of attorney should sign their name as follows: Jane Doe, by attorney-in-fact John Doe, and the POA is sometimes called the agent.

6. In New Jersey, the real estate salespersons are required to provide this to a potential seller or buyer before entering into an agency relationship.

- a. Copy of license certificate
- b. Mortgage pre-qualification application
- c. Consumer Information Statement.
- d. Standard form real estate contract

c - The Consumer Information Statement (CIS) is the first thing you should discuss with a prospective client or customer. Prior to discussing any business, the client must be made aware of how you will work with them and who you represent. If your first meeting with them is on the phone, you must explain the options they have before you get into specifics and go over the form and have them fill out and sign upon first meeting them. Up until the late 1990's, most consumers thought that the agent that they worked with represented their interests. But before the CIS, most agents working with buyers worked for the seller, because the seller would pay the agent's commission when the sale closed. The introduction of the CIS explained representation and gave consumers choices in how they were represented. Now buyers and sellers can both pay their agent if they choose to do so. Either way, both parties are informed.

7. You work for Alpha Realty and show houses to a buyer. The buyer likes a listing with Beta Realty and you write an offer. You go to Beta Realty to meet with Mary, the listing agent. Mary then takes the offer to Alice her broker for her to review before Mary takes it to the seller. In what capacity are you working with Alice?

- a. As an agent.
- b. As a dual agent.
- c. As a sub-agent.
- d. As a principal.

c - You are working for Alice as a sub-agent. A sub-agent is a real estate agent or broker who represents a buyer in a sale, where the agent or broker is not the listing agent. In this case, you are the sub-agent to Alice, and agent to your broker at Alpha Realty. The principal is the seller, his agent is Alice, the broker. Mary is an agent to Alice, her principal.

8. **You had a listing where the seller was desperate to sell and he told you that he would take much less than the asking price. You worked diligently but no offers were made and the listing expired. The seller lists the property with another broker. Later on, one of your buyers is interested in the seller's property. Are you able to tell your buyer what the seller told you about being desperate to sell and being inclined to take a low offer?**

- a. Yes, because you have a duty to disclose to your buyer.
- b. No, because you cannot represent the buyer due to a conflict-of-interest.
- c. Yes, because of the duty to account owed to your buyer.
- d. No, you continue to have a duty of confidentiality with the seller.

d - Just because the seller is no longer your principal does not mean that there is no duty of confidentiality. A duty of confidentiality survives the expiration of the listing agreement. Even if you have a broker agreement with a buyer, you cannot divulge anything told to you in confidence under a principal-agent relationship. If anyone else had given you this information, or if the information came to the buyer through an independent means, it would be permissible to advise the buyer with the information to get the best possible deal.

There are six duties an agent has to a principal:

- 1. Obedience - to take direction from the principal
- 2. Loyalty - put the principal's interests first
- 3. Disclosure- disclose anything to the principal that could help or hurt them
- 4. Confidentiality - do not repeat anything that the principal told you in confidence
- 5. Account - keep the seller informed and safeguard any money they may entrust to you
- 6. Duty of reasonable care and diligence - use all skill to best of ability on behalf of principal

Duties to third parties include fair and honest treatment, following the letter of the law, and giving someone information about something that could potentially hurt them, even if you don't represent them.

9. **All of the following will terminate an exclusive right to sell listing agreement between a broker and a seller except:**

- a. If both parties mutually agree.
- b. Successful sale of the property.
- c. Destruction of the property.
- d. The seller decides to use a different broker.

d - Choosing to switch to another broker will not terminate a listing agreement. The listing is a bilateral agreement entered into by mutual consent. The other three choices are some of the ways an exclusive right to sell listing agreement is terminated. A principal can ask a broker in writing to let him or her out of the contract but the broker is under no obligation to agree. If the seller were to go ahead and list with another broker without a written release, the seller may be liable to pay two commissions if the house sells before the first broker's contract has expired.

10. Who can act as a transaction broker in a real estate transaction in New Jersey?

- a. Any employee of a real estate office.
- b. Any licensed real estate agent.
- c. Any licensed real estate broker.
- d. Both b and c.

d - A licensee in New Jersey does not have to work as an “agent” in the fiduciary sense of the term in all relationships. They can work as a transaction broker, a different approach to working with buyers and sellers. Transaction brokers can find houses for buyers and buyers for sellers. They represent neither and have a loosely defined relationship with both. They simply help the transaction along, or help facilitate the completion of the sale, while treating both with equal care. There is no fiduciary relationship with the transaction broker. Transaction brokers have no confidentiality requirements but must be honest and fair with both parties. A consumer would be wise to draft an agreement for the broker to sign containing any agreed services they expect from the broker. The seller pays the broker in most circumstances and the terms should be in writing.

New Jersey Real Estate Practice Test - Section 2
Statutes and Rules Governing Licensing Activities

11. What information is published by the New Jersey Department of Community Affairs pertaining to leasing property in New Jersey?

- a. Truth in Lending Guide
- b. Truth in Renting Guide
- c. Rent-to-Own Consumer Brief
- d. Home Safety Consumer Brief

b - This booklet, introduced in 1976, remains the definitive tenant-landlord guide. It keeps agents, tenants and landlords informed on the issues involved in renting/leasing real estate. Available in English and Spanish, you can find information regarding security deposits, the ADA, public housing, mobile home parks, smoke detectors pets, etc. This pamphlet should be given to new tenants, is available online and can keep everyone informed and compliant. Truth in lending is given to consumers who are borrowing money and Consumer Briefs are published by the New Jersey Division of Consumer Affairs.

12. In 1975, steps were taken to adjust the zoning requirements in every municipality in New Jersey. It was designed to make sure that the income groups represented in the population, which included low and moderate incomes, had a fair amount of housing or upcoming development. The catalyst was a community that had a very high percentage of buildable land zoned as industrial, leaving none for residential development. This ruling was not followed by most municipalities causing a second decision. The Fair Housing Act of 1985 built upon the prior legislation by adding time limits and guidelines for housing standards. It also provided a remedy for non-compliant municipalities by allowing the state to bring legal action. What was the original court case that started the measures described in the 1975 case?

- a. Jenkins v. Morristown
- b. NAACP v. Mount Laurel Township
- c. Clover Hill Swimming Club v. Goldsboro
- d. Abbott v. Burke

b - The Mount Laurel decisions in 1975 changed the way the state became involved with local implantation of land use and zoning. Although compliance was at a minimum, causing secondary action to be taken, the decisions were far reaching and still apply today. Affordable housing is described as housing that requires thirty percent or less of the renter or owners' income. Municipalities are to use the guidelines of eight to one, one affordable unit for every eight higher priced units. They can also choose to use the affordable housing obligation to build senior housing, or to pay another town to take their allotted affordable housing responsibility.

Jenkins v. Morristown, the Supreme Court of New Jersey held that the state's education commissioner had the authority to mandate the of school district boundaries to foster racial balance in the educational system.

Clove Hill Swimming Club v. Goldsboro, the New Jersey Supreme court ruled a private swimming club could not base membership on race. Abbot v. Burke provided for funding for poorer school districts to ensure students receive an education in accordance with the state constitution.

13. Who pays the New Jersey realty transfer tax at closing?

- a. Closing agent
- b. Seller
- c. Buyer
- d. Sellers' broker

b - It is the seller's responsibility to pay for the transfer fee at closing. The deed to the property cannot be recorded without the fee being paid, and the closing cannot be completed until the fee is paid, usually from the sellers' proceeds. The rates are calculated on a sliding scale and based on the sale price of the property that was on the recorded the deed. The profits of the fees are shared by every county in New Jersey.

14. Why was the Pinelands Protection Act of 1979 put in place?

- a. To put aside land for future private development.
- b. To set aside land for future highway and road expansion and connections.
- c. To create a recreation area with parks, man-made lakes and sporting activities.
- d. To protect the land from over development.

d - The Pinelands Protection Act became law in 1979 after citizens, scientists, agriculturists and many others sought protection for what is possibly our states most precious resource. Built on the back of the Pinelands Preservation Act it became apparent that in addition to scores of plants, trees and wildlife that our forests and especially our water resources needed permanent protection. Safe from development are about a million acres of Pine Barrens and many underground aquifers containing an estimated trillion gallons of water.

15. The Real Estate Sales Full Disclosure Act, under the control of the Bureau of Subdivided Land Sales, was meant to protect New jersey residents from which of the following?

- a. Unscrupulous real estate agents
- b. Sale of property in other states
- c. Hazardous waste sites
- d. Builders of large New Jersey housing developments

b - This law was put in place to protect New Jersey residents when they are looking at property in other states. If you are dealing with someone in a state that does not have stringent laws in place to protect the buying public, New Jersey will make sure their residents will be given certain rights. For example, New Jersey has a 7- day rescission period to give the buyer time to get all the facts they need if buying a long way from home.

16. Mr. Sellers decides to give you the listing to his house. He fills out a Property Disclosure Form showing the house to be in good condition. Two months into the listing, he remembers he forgot to mention that there was a fire in the attic several years ago and the damaged area was covered with paneling. He mentions it to you just as you are expecting an offer from a co-op broker. What should you do?

- a. Tell the buyers broker.
- b. Nothing. If the offer is accepted the buyers will be obtaining a home inspection report.
- c. Tell the seller to make sure it is not noticeable. You work for HIM!
- d. Tell the seller he must have it inspected and repaired immediately.

a - You must disclose the fire as soon as you are made aware of it. Leaving it to the buyers and their inspector to find it puts you in jeopardy for a non- disclosure/ fraud complaint. Once you know, everyone should know. Yes, you work for the seller - and protecting him from a lawsuit is your duty. You also owe the buyer fair and honest treatment. Reducing the purchase price and having the seller repair the damage is a possibility, but once disclosed, the buyers may want to handle it in a different way, like have the repairs done by someone of their choice and negotiating a credit amount from the seller.

17. Which of the following is a correct statement regarding buyer rebates?

- a. A salesperson can give a buyer a rebate from their commission.
- b. The broker can give a rebate to the seller.
- c. The rebate must be negotiated at the first meeting and in writing.
- d. The rebate must be cash or certified check.

c - Rebates to buyers must meet stringent guidelines to prevent misuse. Only a broker can offer a rebate, and only to a buyer. The buyer must be purchasing residential property, the rebate can only be given as a credit (never cash) and the buyer must be advised to contact their tax consultant to see what effect the rebate may have on their taxes. Finally, everyone involved in the sale must be made aware of the details of the rebate.

18. A broker is setting up a home office. He has a visible sign on the corner of the property. Where must the entrance be?

- a. The front door to the home and clearly marked.
- b. It must be a back door.
- c. An exterior entrance, separate from the house and visible from the street.
- d. A broker is not permitted to have an office in his or her residence.

c - A broker is permitted to have an office in his or her own residence. The entrance must be separate from the residence but clearly marked and easily found. Signage noting the office should clearly state the entrance location. Note, a broker cannot have an office in the residence of another real estate agent, only his or her own.

19. As a listing agent, you will receive offers from agents in your own office, as well as from other brokers. What is your responsibility to agents from your own office and their customers?

- a. It is a conflict-of-interest to accept offers from another agent in your own office.
- b. Submit the offer as soon as possible to the seller and within 24 hours.
- c. Deliver the offer to the seller within five business days of the offer.
- d. Notify the seller of the offer if you think it's a serious offer; otherwise, reject it.

b - You must submit every written offer to the seller within 24 hours. You can call the seller immediately to go over terms, but the contract itself should be presented in person or by fax or email within the 24- hour period. You may never take it upon yourself to accept or reject any offer. You have a fiduciary responsibility to the seller to work with all agents. Verbal offers do not fall under the 24- hour rule, and many agents will not accept or present verbal offers. Offers should be in writing and include an earnest money deposit.

- 20. The Farmland Assessment Act was enacted by the state Treasury Department to assist farmers from the rising property taxes in New Jersey. Farmers can apply for relief from assessed values as long as they meet certain requirements, like having been in production for the two years preceding the application. One goal of the legislation is to help protect the open space that many farms provide. Development has caused New Jersey to be the most densely populated state in the country. To qualify under the Act, how many acres, at a minimum, must a farmer have actively devoted to agriculture or horticulture use?**
- a. 1
 - b. 5
 - c. 10
 - d. 20

b - To qualify for Farm Assessment, land actively used in agriculture or horticulture must be a minimum of five acres in size. In making the area calculation, land under a barn, shed and seasonal farm market are counted but the land under a farmhouse and other lands associated with the farmhouse are not counted. If the Farm Assessment is used, the qualifying land is assessed at its productivity value.

The official nickname of New Jersey is the "garden state". Once abundant with fruit and vegetable farms, it is believed that Abraham Browning of Camden stated on August 24th, 1876 on New Jersey Day, that "New Jersey is a barrel, filled with good things to eat and open at both ends, with Pennsylvanians grabbing from the bottom and New Yorkers from the other end." That led to the garden state theme and in 1954 the nickname became official and was added to license plates. We have more farms than some other states but we have a lot fewer than we used to have. Measures like the Farmland Assessment Act work to reduce the tax burden on farmed land and help preserve the open land.

- 21. A broker must have a bank account to deposit client and customer funds. What type of bank account should be used?**
- a. The broker's personal business account.
 - b. A broker checking account approved by the client.
 - c. A trust account in a bank approved by the Real Estate Commission.
 - d. A joint account of the broker and client.

c - A real estate broker must set up a business trust account for the safekeeping of customer deposits. Business and personal funds can never be mixed or co-mingled. The funds must be deposited within 5 business days and the banking institution must be approved by the New Jersey Real Estate Commission. Careful records must be kept and are subject to unannounced inspections by the Real Estate Commission.

22. In an open house announcement, a seller's agent has included a calculation of the monthly payments to be made based on a certain purchase price. What other language must be included in this ad?

- a. The words "to a qualified buyer".
- b. The words "submit all offers".
- c. The name of the agent holding the open house.
- d. The percentage of the commission.

a - As stated in statute 11:5-6.1, the Real Estate Commission has very clear guidelines for advertising that must be followed whether you are placing a newspaper ad, booking a radio commercial or even setting up the information for an open house handout. When including financial information such as monthly payment, buyers must know that any financial information is based on the qualifications of each specific buyer, and must also contain the words "to a qualified buyer". Any calculations based on a down payment must include the amount or percentage of the down payment.

23. Based on prior statutes, the Municipal Land Use Law of 1976 gave municipalities more control in how they were going to mold their communities, while remaining compliant with state responsibilities. Each municipality was required to create a master plan which the state could then approve and monitor, making sure that the land was used to its highest potential in a way that best suited the community. Who has the most input and control in forming a master plan?

- a. Mayor
- b. City Commissioners
- c. Planning Board
- d. The Zoning Department

c - Most municipalities in New Jersey have a planning board. One of the duties of the planning board is to form a master plan. The planning board oversees the placement of such utilities as water and sewer lines and other facilities, and makes sure the zoning classifications are well placed and adhered to (residential, commercial, industrial and recreational). The planning board is typically made up of appointed citizens and a few elected or town officials.

24. Which of the following would be proper in an advertisement, following the guidelines set forth by the Real Estate Commission?

- a. Free moving services for those sellers who list with us!
- b. Our agents can provide a complementary market analysis to help you determine the value of your home.
- c. A new laptop for any buyer who completes a sale!
- d. We will enter your name in a drawing for a 60- inch flat screen TV when you list with us.

b - It is very common and perfectly acceptable to offer a market analysis to anyone. The analysis is simply a grouping of homes for sale, and recent sold homes that are comparable to the customer's property. The agent will give pointers on how the properties compare to the

subject property to give the customer an idea of what their home is worth. It is not an appraisal, which can only be done by a certified licensed appraiser. The difference between answer b and the others is that the other choices require that the consumer do or commit to something like a listing or closed sale. You cannot offer something that has strings attached just to conjure up business. The laws are very strict when it comes to advertising in the real estate business.

25. Unless working as employees in a brokerage, real estate agents are treated as self-employed for federal tax purpose, which means estimated taxes must be paid. How often do you pay estimated taxes?

- a. Yearly
- b. Monthly
- c. Quarterly
- d. Bi-annually

c - Estimated taxes are paid quarterly. You could pay each quarter as you go along based on your earnings the previous year. If you end up exceeding last year's income you can pay the balance by April 15th, even if you do not file at that time. Extensions are for the returns, not the money owed.

You will need to keep detailed records regarding your commissions and expenses. Expenses can include such things as signs, advertising, gas and mileage, gifts, business phone expenses and gifts. It would be wise to consult a tax professional for advice. They might suggest that you put an amount of each commission in an account to cover your tax payments. Although many deductions are no longer allowed, as a new agent should get in the habit of keeping track of them in case the law is changed.

26. John has a son who is not capable of taking care of himself, and John wants to make sure that after his death the son will be cared for. John decides to form a trust to leave his property and all other assets to his son, to be managed by John's brother Jim, who will be the trustee of the fund. John reserves the right to change or cancel the trust as well as to manage the trust until he dies or turns it over to Jim. What has John set up to insure the care of his son?

- a. Revocable trust
- b. Irrevocable trust
- c. Bequest
- d. Life estate.

a - A trust is created by a grantor either while they are living or in a will upon the death of a grantor. A bequest is an item left passed through a will after death. A trust is created to hold assets for the benefit of another person (beneficiary - the son in this scenario), and managed by someone else, the trustee. A trust can be revocable or irrevocable. To become irrevocable, the grantor gives up all rights to change or alter the trust. An irrevocable trust provides some protection from the grantor's creditors that a revocable trust does not. A revocable trust can

be managed, changed or revoked while the grantor is alive. Once an irrevocable trust is created the grantor is out of the picture.

27. There are very strict regulations regarding what you can offer to a buyer or seller in order to gain their business. What, if anything, can be offered to a customer?

- a. Free market analysis
- b. A rebate to a seller upon closing
- c. A furniture gift certificate to a buyer
- d. Nothing can be offered.

a - Inducements are frowned upon and most things, even if offered innocently, are forbidden. A free market analysis is the only item you can offer. There are no strings attached, the customer does not have to do anything to receive it and it is allowed in New Jersey. Rebates are generally offered to buyers (if ever) and are loaded with conditions, disclosures and oversight. A market analysis is basically showing someone the general value of their home based on recent sales of like-kind properties.

28. Joe, who is 17 years old, signs a contract for the purchase of a home being sold by John. The contract is fully signed and out for attorney review when John finds out Joe is a minor. What is the status of this contract?

- a. The contract is void.
- b. The contract can be voided by John.
- c. The contract can be voided by Joe.
- d. The contract can be voided by Joe or John.

c - Since Joe is a minor, the contract is voidable by him. He can change his mind at any time because he is a minor and cancel the contract. However, he can also hold John to the deal as the minor is the only party who can cancel. John is bound to fulfil his obligations and see the deal through. If Joe does decide to cancel, he can do so without penalty or repercussions. The contract is valid for John and voidable for Joe.

29. Which of the following would be a legal and acceptable reason to refuse to rent or sell to someone?

- a. They have bad credit.
- b. They have children under age 5.
- c. They are in the National Guard and can be deployed.
- d. They use public assistance for income.

a - Bad credit is the only choice that is a legal reason to refuse to rent or lend money to someone. An applicant needs to show responsibility in paying their bills and taking care of the property.

New Jersey laws are based on federal discrimination laws and take a few steps further to close some loopholes and offer additional protections. New Jersey has some of the most stringent laws in the country. All children, as well as pregnant women, are covered against discrimination, as well as service men and women and people accepting public assistance. Children are an integral part of any family and nobody can be turned down because of a landlord or seller's preferences. You cannot refuse someone in the National Guard a rental apartment just because there is a chance they may be sent out of the country for a period of time. Unfortunately, the occupant remains liable for the rent while they are away, and some organizations have begun to offer some assistance to the deployed person, such as rental assistance and apartment sharing. And the source of a customer's income is not to be considered when screening an applicant. As long as the source is legal and can be confirmed, public assistance is not a reason to reject an applicant.

30. In times of drought New Jersey has access to underwater aquifers and underground floodwater that has accumulated in floods and heavy rains. The land is saturated with water and contains vegetation that can sustain life in the high- water level. There is also wildlife, fish and birds that are native to the area. Which of the following legislation has helped protect these areas and helped to keep them healthy and free from detrimental intrusion by development?

- a. The Pinelands Protection Act of 1979
- b. The Highlands Water Protection and Planning Act
- c. The Freshwater Wetlands Protection Act of 1987
- d. The New Jersey Coastal Area Facility Review Act

c - Although all of these answers protect waters in some form, it was the Freshwater Wetlands Protection Act that focused on freshwater protection. The flora of the wetlands helps filter our drinking water and the ability to store excess water for the future protects both nature and humans and must remain undisturbed. Prior to the New Jersey Wetlands Act Of 1970, the father of the current Freshwater Wetlands Protection Act, there was dumping, dredging and ruination of plants and wildlife until the Department of Environmental Protection took control, realizing the importance of our groundwater supply and the habitat that protects it. The Highlands Act was more of a planning and growth plan to make sure this well populated area kept growth at a pace that would protect the area that provides water service to a major portion of the state. The Pinelands Protection Act covers a heavily wooded area unique to our state, that also has its own wildlife, fish and water supply and covers a broader area of protection of not just water and plant life but a way of life for people since the beginning of New Jersey as a state. And the Coastal Area Review Act is focused more on waterfront development and the impact it has on our waterways. All are important in keeping New Jersey a safe, healthy and beautiful place to live.

31. Smith, who is a licensed real estate salesperson, has listed a property that he owns with his uncle. Another agent has presented an offer and Smith is preparing an agreement of sale. What must be in the agreement to avoid a conflict of interest for agent Smith?

- a. The disclosure that Smith is an owner of the property.
- b. An inspection clause that will allow the buyers to request repairs or void the contract in the event of damages.
- c. A statement explaining where the buyers' escrow will be held.
- d. The notice to buyers and sellers that they have the right to an attorney.

a - Not only must the agreement of sale disclose that Smith is an owner of the property, but the listing should have clearly stated the same, and Smith should have verbally informed the buyer before showing them the property. A real estate salesperson, with an interest in the property being sold, has a conflict of interest in the transactions as to the other parties. A real estate salesperson must disclose his or her interest because the other parties have a right to know if an agent will benefit in any way and where his or her loyalties lie. Although the other answers are all parts of a proper sales agreement, the ownership issue is what creates the conflict. Other examples of conflict of interest (without full written disclosure) include referring a friend or relative to furnish goods or services to your client, recommending a property that you stand to benefit from, purchasing your own listing, collecting more than one commission on a sale and helping a relative purchase your listing.

32. The New Jersey Real Estate Guaranty Fund was established to compensate consumers harmed by a licensee during a real estate transaction. What particular offence by a licensee does it cover?

- a. Negligence
- b. Embezzlement
- c. Errors and Omissions
- d. Price Fixing

b - If a licensee should cause a customer loss of money by embezzlement, conversion or by any other unlawful means, the Guaranty Fund can replace those losses up to \$20,000. Embezzlement is basically where someone who is entrusted with funds intentionally misappropriates them. The victim must file and win a civil law suit within 6 years of the crime. The money in the fund is collected from a one-time fee for new salesperson licensees and new broker licensees. The licensee committing the crime may also be financially liable, and their license would be revoked until the restitution has been paid. Errors and omissions insurance is a form of liability insurance for professionals that covers claims for negligence.

33. What government entity regulates timeshares in New Jersey?

- a. The New Jersey Office of Consumer Protection
- b. The New Jersey Real Estate Commission
- c. The New Jersey Bureau of Subdivided Land Sales
- d. The New Jersey Division of Property Management and Construction

b - Both in state and out of state timeshares are governed by the New Jersey Real Estate Timeshare Act of 2007, regulated by the New Jersey Real Estate Commission. Formed from the original Real Estate Sales Full Disclosure Act, the new act protects consumers and their money as well. It requires developers to file public offering statements, allow for a mandatory 7- day rescission period and safeguard deposit money during that period. The commission also may inspect properties and oversee licensees and field customer complaints.

New Jersey Real Estate Practice Test - Section 3

Property Ownership

34. Which of the following business scenarios is a joint venture?

- a. Where two companies form a separate corporation to build a hotel.
- b. Where two companies remain separate and enter into a joint venture agreement to manage a strip mall.
- c. When two companies form a separate limited liability company to buy vacant land to hold as an asset.
- d. All of the above.

d - A joint venture (JV) is a business arrangement entered into by two or more business entities to accomplish a specific task or project. A JV can be made informally, by a handshake, or memorialized in a joint venture agreement. In some cases, the business parties will form a new business entity to carry out the project, like a corporation or a limited liability company. In other cases, the business entities will enter into a joint venture agreement, where the parties remain separate business entities. Members in a JV share in the management, costs, profits and losses of the project.

35. Your neighbor is replacing his fence that borders your property. Shortly after the project is finished you discover that his fence has been placed over your property line. Which of the following describes the boundary issue?

- a. An Easement
- b. An Encroachment
- c. A Restriction
- d. An Encumbrance

b - An encroachment is a trespass or intrusion over the boundary line of another property. Many encroachments are found by accident when one of the owners has work done, if they are found at all. The proper remedy is to have your neighbor move the fence to the correct borderline. A survey would establish the legal boundaries. If you allow a fence to stay on your property, the neighbor could eventually lay claim to your land on his side of the fence, stating that you knew it existed and chose to do nothing about it. An easement generally is someone using your land with your written permission, and an encumbrance is a cloud on the title. A restriction is a land use issue in a deed which may limit what you can do with the property.

36. When a property owner dies without a will, they are said to have died:

- a. Lis pendens
- b. Escheat
- c. Intestate
- d. Eminent Domain

c - Intestate means dying with no valid will. In that case, the estate will be dispersed as per state law. Escheat is when someone has no will and no heirs, and the property reverts to the state. A lis pendens is constructive notice of legal action pending, and eminent domain is the right of government to take private property if it will serve the greater good of the public. The act of taking the property is condemnation.

37. Mary has rented a storefront and is opening a hair salon. After cleaning and painting the interior she installed several barber chairs, sinks and shelving. After a few years, Mary decided to move to a new location. She gives notice and moves out most of her things on the last day of the lease. She is trying to locate a handyman to move the affixed items and repair any damage caused by the move. At this point, who owns the trade fixtures?

- a. They are still the tenant's personal property.
- b. As trade fixtures, they belong to the tenant's business.
- c. They become the landlords' personal property.
- d. They must be put in safe keeping until Mary can have them moved.

c - The status of trade fixtures change as the rental term begins and ends. They begin as Mary's personal property but become trade fixtures as soon as they are installed. Once the lease ends and Mary leaves, they become the landlord's personal property. For a commercial tenant to be able to remove a trade fixture, the trade fixture must be necessary for the tenant's business, be removable without damage to the landlord's property and must be removed within in the time of the lease. If you know you will not have everything removed, repaired and cleaned by the lease end date, you need to make written arrangements with the landlord as to when you will be finished. He is under no obligation to agree, and you should always make sure you are ready to leave when you are scheduled to go. The owner could have signed a new lease to start the next day and if you cause him any monetary loss it will be your responsibility to pay it.

38. Tom has a daughter Emma who is 18 years old and Tom wants her to inherit his estate when he dies. Tom has an elderly Aunt Betty who lives in a country house he owns and Tom wants to make sure she will be taken care of until she passes away. He forms a life estate for Aunt Betty. Tom predeceases Aunt Betty and Emma. Upon Tom's death, what ownership interest will Emma take in the country house?

- a. Fee simple
- b. Qualified Fee Estate
- c. An interest in joint tenancy
- d. A remainder interest

d - A life estate begins when the grantor conveys the estate to the grantee. During the lifetime of the person's life to whom the life estate is based on, the occupant can use the property, lease the property or convey her life estate interest in the property. A life estate is often based on the life of the person granted the estate and occupying the property, but it can be based on the life of anyone. Before Tom passed away, he held a remainderman interest, meaning a future interest in a fee simple estate. If Tom dies before Aunt Betty, as the scenario indicates, the remainder interest will go to who is named in his will (Emma), but she must honor the life estate if it still exists.

39. Jack and Karen, who are brother and sister, own a property together. If one of them should die, the other will automatically own the whole property even if they both have heirs. What form of ownership do Jack and Karen have?

- a. Tenancy in Severalty.
- b. Tenancy in Common.
- c. Joint Tenancy.
- d. Tenancy by the Entirety.

c - Joint tenancy is a form of ownership with rights of survivorship. It is formed when the intent of the parties to own property as joint tenants is stated in the documents evidencing ownership, like in a deed. Joint tenants each own the entire property. In this scenario, if Jack dies, Karen will then own the entire property in severalty, meaning as one owner. When an interest in joint tenancy is sold by one of the owners, the ownership converts to tenancy in common. Tenants in common do not have survivorship rights. Further, unlike joint tenants, tenants in common can hold different amounts of interest in the property, like one party can own 25% and the other have 75% interest. Although, even in tenancy in common, the owners have a right to use the entire property. A tenancy by entireties is held by married couples and also has survivorship rights.

40. The right to own property is more than owning your house and yard. There are other rights that are included such as the rights to well water and mineral rights. What other ownership rights come along with the deed to your property?

- a. Navigable water rights
- b. The right to cross another property to get to yours
- c. The right to sell firearms
- d. Air rights

d - Even though it may seem odd, a property owner can sell or lease the air rights they own above their real estate. Simply put, air rights are a property owner's rights to the air above them, which is included as part of their property. If zoning laws permit, you could build as high as allowed, and you could sell the air rights as well. In Manhattan, air rights sell for an average of \$225 per square foot, according to the planning department. Compare that to the national average building cost per square foot of \$64.44, according to the census bureau. But do not put the sale sign up yet! Because of air traffic the government can regulate the air space just as our waterways are controlled. Navigable water is controlled by Congress, as our waterways

were and still are an important necessity of commerce. You have no right to cross your neighbor's property without express written permission or easement. The sale of firearms is strictly enforced and laws vary by state, county and municipality.

New Jersey Real Estate Practice Test - Section 4

Land Use Controls and Regulations

41. All of the following are covered by a building code, except:

- a. The front and rear setbacks of a residential home.
- b. The mix of commercial and residential buildings in a certain area.
- c. The wind rating of a home in a hurricane or tornado prone area.
- d. The depth of fire walls between townhomes.

b - This would be a zoning issue. Building codes regulate structures as to placement, setbacks, land use, materials, number of bedrooms and parking spaces, electrical and plumbing etc. Certain areas may have other codes determined by the weather patterns such as wind, flooding and earth quakes.

42. A developer has filed applications to construct a new shopping center in town. The area has the proper zoning and the residents have expressed enthusiasm for the project. Only one hurdle remains, a new access road will need to be built where a small but well- established neighborhood exists. What can the municipality do to obtain rights to build the access road?

- a. Nothing if the property owners will not sell their property.
- b. Use eminent domain.
- c. Sue the homeowners to force them out.
- d. Re-zone the neighborhood so the houses will all be non-conforming.

b - The only legal remedy is to use the power of eminent domain. The government has the power to seize private property by legal means and use it to benefit the public. The act of taking the property is called condemnation and the displaced owners must be given fair market value for their homes. It is very difficult to remove people from their homes. Towns and cities must weigh the benefit to the majority of the people in relation to disrupting people's lives. Originally used for governmental projects and utilities, eminent domain has started to be used to give property to private enterprise, reasoning that it will bring jobs, tax revenue and other benefits to a community. Taking private property for use by private enterprise has made eminent domain controversial.

43. Mrs. Jones is the owner of a large parcel of land that has been in her family for generations. Recently there was a zoning change in her town and the land can now be subdivided into small parcels. Mrs. Jones had promised her family that the land would remain as it always was and pass down through the coming generations. What step can she take to ensure her property will remain a single undivided parcel with future owners?

- a. Add a deed restriction to her deed.
- b. Create an easement on her property
- c. Condemn the land.
- d. Create a life estate with a remainderman.

a - A deed restriction is a limitation on the use of the property that is placed on the deed by its owner, typically when it is transferred by deed. The transferee or buyer voluntarily consents to the deed restriction and agrees to abide by it. It applies to all future land owners, except if limited by a time limit. An example of a deed restriction is a limit to build a house in a certain style or with a certain size. In this scenario, by putting a deed restriction in the deed, it will remain a single undivided parcel. Many homeowner associations of planned developments enforce deed restrictions, often called restrictive covenants, that the developer may have put in the master deed, such as pool size restrictions, vehicles, paint and roofing colors etc. A deed restriction cannot be for an illegal use. Many very old deeds contained restrictions against ethnicity, which were no longer valid as discrimination laws were formed.

44. Your client is a business owner looking to purchase a building in a Business Improvement District (BID) in a city in New Jersey. Which of the following would be a potential issue for a building owner in a BID?

- a. Radon
- b. Municipal ordinances
- c. Special assessments
- d. Eminent domain

c - Most municipalities have special assessments from time to time, usually to fund a repair or improvement not included in the municipal budget. A BID is similar, but works in different ways. As a business owner in a BID, the municipality may impose a special assessment for “the purpose of promoting the economic and general welfare of the district and municipality”. The BID is controlled by a District Management Company (DMC) and the business owners may sit on the board of directors. The DMC determines spending. The DMC can be funded by assessments on commercial buildings who will benefit from the assessed funds as well as several other sources. A potential BID business may want to search for any upcoming assessments prior to moving.

45. There are many disclosures that are part of an agreement of sale. Some disclosures require a signature from the buyer acknowledging their receipt. Which of the following notices not only require a customer's signature but acknowledgement from everyone involved?

- a. Lead based paint notice
- b. Carbon monoxide notice
- c. Mold disclosure
- d. Water contamination disclosure

a - Lead based paint (LBP) has been a hazard for many years. The use of LBP was halted in New Jersey in 1971, but not nationally until 1978. About 65 million houses built before 1978 are thought to contain some lead paint, and for that reason buyers and tenants need to know about the dangers involved and how to protect their family. Each buyer or tenant renting for a period over 100 days must be given a pamphlet by the seller or landlord and the agreement of sale or lease must contain an addendum that requires the signatures or initials of the buyers, sellers and salesperson. Sellers must disclose any prior knowledge of LBP and the results of any tests or inspections ever done on the property. Buyers are given a 10- day period in which they may have the home inspected for LBP. The danger of LBP lies in the chips or dust so remediation must be done professionally.

New Jersey Real Estate Practice Test - Section 5

Valuation and Market Analysis

46. When appraising commercial properties there are several different methods an appraiser can choose from based on use and purpose. What method is most suited to appraise an apartment building?

- a. Sales Comparison approach
- b. Income approach
- c. Cost approach
- d. Replacement cost

b - The basis of the income approach is using the income that is generated to establish the value of the property. In this method, the income must be enough to cover expenses and a profit margin for the remainder of the economic life of the property. The economic life is the time period in which the income produced remains higher than the value of the land it is built on. You also need to establish potential gross income - what a fully rented building would generate. You will use income, expenses and the capitalization rate to establish the property value. The cap rate is the percentage amount representing return on your investment. Sounds confusing but following the formula is not as difficult as it seems. The sales comparison is used mostly for residential properties and consists of taking like-kind houses, adjusting for any variations from the subject property. The cost approach can be used to calculate replacement cost or reproduction cost. Replacement cost is what the dollar amount would be to a property taking the place of the building you are appraising, similar in size, features and use. Reproduction cost would give you the cost of an exact duplicate at current prices. Both

methods are used for buildings that have little or no comparables, such as historic buildings, museums, police stations etc.

47. Real estate agents often offer their clients a basic analysis to help a seller determine what a house should sell for. Called a Comparative Market Analysis or CMA, they usually use a sampling of sold properties, and sometimes include properties for sale to see what the current competition would be. A CMA is similar to which of the following appraisal methods?

- a. Cost approach
- b. Income approach
- c. Replacement approach
- d. Sales comparison approach

d - In a CMA, a real estate agent typically considers lot size, how many bedrooms and baths, amenities, type of heat and air conditioning and condition of the homes. Most agents use 3 sales, sold within the last 6 months and are as similar as possible to the subject property. Then adjustments are made due to the differences between the subject property and the comparable sold homes. This approach is similar to one used by a certified licensed appraiser. But the appraiser's report goes much further. It is based on comparable sales, but also uses the principal of substitution, highest and best use of the property and other formulas to get the most accurate estimate of value. An appraisal is an estimate because the only way to know what a property is really worth is what a ready, willing and able buyer will pay for it. To find comparable properties, an appraiser would compare neighborhoods as well as certain features of the homes.

48. The cost approach method would be used to appraise which of the following?

- a. An old hospital for sale.
- b. A new home destroyed by fire
- c. A bank updating their building values.
- d. A house in a subdivision looking to refinance.

a - The cost approach to appraisal is typically used when none of the other methods would work, usually because the property is somewhat obscure. Simply put, it is based on land value plus the cost to duplicate the property minus depreciation, which can be wear and tear of the building or factors from the surroundings such as blight or a conflicting zoning change. It would be very difficult to find comparable sales for an old hospital. Other properties appraised by the cost approach would be sports arenas, schools and churches. Land value does not often change much except during municipality re-assessments. But building values change based on many factors. Is it in the best place for the use of the property? Would you place a nightclub next to a senior housing complex? Condition is important, a building in poor condition cannot be compared with the same building in excellent condition. The one that needs repairs must be depreciated, which means to deduct what it would cost to bring the dilapidated building up to the condition of the well-kept building.

49. Tom and Barb bought a house for \$250,000 ten years ago. They put 20 percent down and took out a \$200,000 mortgage. In ten years, most of their payments have gone to interest, and the principal is at \$160,000. The property is now appraised at \$325,000. How much equity does the owner now have in the property?

- a. \$90,000
- b. \$125,000
- c. \$165,000
- d. \$200,000

c - Equity is the monetary difference between the appraised value of your home and any debts against the home like a mortgage or any other debt secured by the property. Here, the facts say the property is appraised at \$325,000 with a mortgage balance of \$160,000. If you minus the \$160,000 from the appraised value of \$325,000, it leaves you with \$165,000 in equity. The other numbers involved in the question are red herrings.

50. What is external obsolescence?

- a. Structures that are outdated due to issues like lack of bathrooms.
- b. A component of the income approach of appraising investment property.
- c. Not keeping up with the maintenance of the exterior of your property.
- d. A factor effecting the value of your property that is beyond your control.

d - External obsolescence is a loss in value caused by external factors such as an airport or sewage treatment plant nearby. Even though they are not a part of your property they can still affect the value due to noise, odor, traffic as well as other undesirable features. These things cannot be controlled by you as the owner and will remain as a deterrent to appreciation. This is one of the examples that an appraiser would use when depreciating a property using the cost approach, along with Functional Obsolescence and Physical Deterioration. Functional Obsolescence is a curable issue. It is based on a property that is outdated by the current standards such as small rooms, not enough bathrooms or parking spaces, etc. Fixing some of those problems could raise the value by making the property desirable to a larger group of potential buyers. Physical Deterioration is a loss in value due to excess wear and tear and lack of maintenance, also curable.

51. How much does an appraisal cost?

- a. A flat fee on a sliding scale
- b. A percentage of the appraised value.
- c. Appraisal fees are set by the Real Estate Appraisers Board.
- d. The N.J. Depart. of Banking and Insurance provides guidelines that determine fees.

d - Appraisers sometimes work independently and others work for specific lenders. Appraisers now have guidelines that they follow too make sure the public does not overpay. The cost of an appraisal through a lender should be no more than an appraisal through a lender. Of course,

some jobs will cost more, difference between a small house and a hi-rise building are immense. Time and expenses are also taken into consideration.

New Jersey Real Estate Practice Test - Section 6

Financing

- 52. When a borrower applies for a mortgage, the lender will check the borrower's credit to make sure he or she is a good risk. The lender will also "qualify" the borrower to make sure the borrower can afford the monthly payments. To determine what the monthly payment responsibility will be, a number of factors are considered, known as PITI. Principal, interest and taxes are the first three types of debt that are considered. What does the final "I" stand for in PITI?**

- a. Income
- b. Interest
- c. Insurance
- d. Instrument

c - A house with a mortgage must be insured for the term of the mortgage. Together with principal, interest and taxes, insurance is part of the mortgage payment each month. When determining if a potential homeowner has the means to pay the mortgage, the bank will take the mortgage payment and add the other revolving debt payments the applicant has, and compare the debt to the applicant's monthly income to make sure the income can handle the debt. These are called qualifying ratios. If an applicant qualifies, the bank will consider the mortgage application.

- 53. What is the acronym for the type of loan that features interest rate changes?**

- a. APR
- b. GPM
- c. ARM
- d. LTV

c - There are many different types of mortgages and loans. One of those is the adjustable rate mortgage (ARM). Most loans are fixed rate, meaning the interest rate on your mortgage will stay the same during the life of the loan, usually 30 years. An ARM is flexible, with rate changes based on several factors. One is the margin, basically the lender's profit. Another is the Index, based on different financial markers, for example Treasury Bills, MTA's or LIBOR. The initial rate starts lower than the current rate and is fixed for a specific time. After that time period is over, the rates will change (often yearly) based on the market indicator the index was based on. The amount the rate can go up or down is capped at a certain percentage, and the amount the loan can change in its lifetime is capped as well. ARMs are popular in a climate of rising interest rates. Instead of being stuck with a higher rate for 30 years, you can benefit when the rates go down again without the time and expense of refinancing.

54. One way a borrower can keep the cost of a monthly mortgage payment down in a high interest rate climate is to pay discount points, or points. Each point a borrower buys will bring down the interest rate. How much does a point cost the borrower?

- a. .25% of the loan amount
- b. .5% of the loan amount
- c. 1% of the loan amount
- d. 5% of the loan amount

c - Points will be one of the things a borrower discusses during a mortgage application process. In times of low interest rates, or if the borrower is buying a starter home, points may not be needed. But in higher rate periods or if a borrower is buying a forever home it can make a big difference. A borrower can recoup the cost of the points in a relatively short period and the points are tax deductible in the year they are paid.

55. In which of the following transactions is a HUD-1, now known as a TRID settlement statement, required?

- a. A transaction where the buyer pays in cash.
- b. Where the buyer assumes the seller's mortgage.
- c. Where there is seller financing of the purchase.
- d. None of the above.

d - The TRID combined former disclosures contained in the Truth in Lending Act (TILA) and the Real Estate Settlement Procedures Act, (RESPA). Now known as TRID, the TILA-RESPA Integrated Disclosures, it is also referred to as the "know before you owe" consumer financial education initiative. Introduced in October 2015 and revised in January of 2019, it serves as a settlement sheet and disclosure coverage. Since disclosures refer to most consumer credit transactions secured by real property, the above examples may not be bound by the current form. However, a balance sheet is helpful in noting debit and credit amounts for both parties. The HUD-1 showed money coming in and then dispersed out as well as prorations for taxes and utilities and made it easy to see what transpired in the process of transferring property.

56. When using a loan and mortgage to buy real estate, a loan estimate form must be given to the applicants no later than ____ days after applying for the loan.

- a. 1
- b. 3
- c. 5
- d. 10

b - When purchasing a property, most people will need to obtain a mortgage loan. Consumers are given disclosures to protect them and educate them about the lending process. The loan estimate describes in detail the features, costs and risks of the loan that is chosen. The

consumer must receive the statement within 3 business days of submitting their mortgage application. The consumer will also receive a Closing Disclosure 3 days prior to settlement. This contains the closing costs, which were also given in the loan estimate and the customer should compare the two documents to make sure nothing has changed unknowingly.

57. If a house costs \$160,000 and the bank requires a down payment of \$32,000, what is the loan-to-value ratio?

- a. 30%
- b. 40%
- c. 60%
- d. 80%

d - The Loan to Value Ratio is used by lenders to understand how much liability they will have when processing a loan. It is the percentage of the price paid for the home divided into how much is mortgage and how much is the borrower's own money. The higher the down payment, the lower the risk for the lender and a higher commitment from the borrower. Some borrowers with lower credit scores or income ratios may only get a conventional loan if they put down a higher amount, which is why we had the need for the government insured loans. To arrive at the loan to value ratio, start by subtracting the down payment (\$32,000) from the sale price (\$160,000) to get the mortgage amount (\$128,000). Then divide the mortgage amount by the sale price as a percent and that should give you the ratio - 80%.

58. Of the five factors considered in a FICO credit score, which factor typically carries the most weight?

- a. The amount of money owed
- b. The length of time of credit history
- c. Payment history
- d. Mix of credit

c - A large part of determining what kind of loan a borrower qualifies for depends on his or her credit score. As with the down payment and total income, the credit score will show the lender what kind of risk the borrower is. According to Experian, scoring is based on 5 factors, each contributing different levels of importance to your total score. The most important is your payment history, which counts for about 35% of the total score. Next is utilization and keeping your credit balances low, which counts for about 30% of the total score. Next is length of credit history, the longer the better, which counts for about 15%. The fourth factor is recent activity. If a bank sees you attempting to borrow other money just before or during the current application, it's a red flag. Recent activity counts for 10%, as well as credit mix, meaning how diverse is your revolving debt. These five things can help you attain good if not great credit, and can open up a world of possibilities.

59. Which of the following is the first step in the mortgage process for a borrower?

- a. Mortgage commitment
- b. Mortgage pre-qualification
- c. Mortgage pre-approval
- d. Recording of mortgage

b - Before a borrower even thinks of looking at houses to purchase, he or she should visit a mortgage company or bank (or both) and find out what it takes to get financing. The borrower needs to know how the process works, and the first thing the lender will do is to see how much of a mortgage the borrower can qualify for. This is called mortgage pre-qualification. That will decide (depending how much money the borrower has for a down payment and closing costs) what price range the borrower is limited to.

60. What is the basic entitlement under a VA loan if a borrower defaults?

- a. \$36,000
- b. 25% of the total mortgage.
- c. Both A and B, whichever is less.
- d. Neither A nor B

c - Government Guaranteed Loans, commonly known as VA or GI loans, were established in 1944, to assist the men and women returning from World War II. In order to make it easier for veterans to buy a home, the Department of Veteran Affairs passed the GI bill, and a large part of that bill was the government guaranteed VA loan. The government would guarantee 25% of a veteran's mortgage (up to \$36,000) on a property up to \$144,000 and the guaranteed portion is called an entitlement. This allows the veteran's money to go much further. The amounts are set by the FHFA and can change over time depending on area and rising housing prices. In 2018 the average price of a home in the U.S. was \$315,000, reinforcing the need for assistance to those who serve. There is also a secondary entitlement available in the amount of 85,067, when added to the first amount gives the veteran up to \$121, 087. This could be used as a 25% guarantee of a more expensive home (as long as the buyer qualifies), or a second property when the first entitlement is still in use. The entitlements remain the same even if the buyer defaults on a loan. Other benefits of a VA loan include little to no down payment, no MIP (Mortgage Insurance Premium) utilization of both entitlements at the same time and the ability for qualified spouses and even children to retain a deceased veteran's benefits.

New Jersey Real Estate Practice Test - Section 7

Property Disclosures

61. You have decided to sell your house and there is a permanent storage building that looks like it is over the property line. If the property disclosure form does not mention encroachments, does the seller need to disclose this?

- a. No, not if it doesn't appear on the form.
- b. Yes, any possible issue must be mentioned.
- c. No, the building was there when the owner bought the property.
- d. Yes, the building must be removed.

b - An encroachment is when one person's property extends over the property line of another. The issue is most commonly found with fences, and usually by accident. If a structure looks like it may be over the line, it should be disclosed. The best way to find out is to have the property surveyed. A professional surveyor can mark the boundaries and certify any encroachments. In the event that you do have an issue, it needs to be addressed. Fixing the problem will make the house more desirable to buyers who will not want to tackle the problem themselves. The best way to start might be to explore the situation with your municipality and speak with an attorney if necessary. If you do not feel it is a problem and decide to ignore the situation, it could cost you a sale or end up in court afterwards.

62. A property owner wants to build a three-family structure on a lot that is only zoned for one to two family housing. The lot is just 3 feet short of the zoning classification that allows three-family housing. What can be done to seek a change to the zoning so three-family housing would be a permitted use?

- a. Seek a variance.
- b. Seek a building permit.
- c. Seek an exception to the building code.
- d. Obtain a conditional use exception.

a - A variance is seeking permission for a non-conforming use while a building permit is applying for a permit to build on a conforming property. A variance request is filed with a zoning board. The zoning board will notify neighbors to ask for any objections to be raised at the zoning board meeting. After the case is heard, the board will take the information into consideration. If a variance is granted, the owner will still need a building permit to proceed. Building permits are obtained from a different office than zoning, typically from a local construction and building bureau.

63. The owner of a property in a rural area has agreed to sell his property to his neighbor. The seller has oil heat and used to have an old tank that was rusted and leaked. The seller got rid of the tank and put another tank underground in the same spot, doing the work himself. He filled out a property disclosure form mentioning the new tank. A couple years later, the new owner hired a company to switch from an underground to above ground tank. The contractor discovered the old oil seepage. Who is liable for the clean-up?

- a. The current owner
- b. The former owner
- c. The oil company, as they delivered the oil.
- d. There is no liability.

b - The former owner disclosed that the tank had been replaced but not that the tank had leaked. He also did not have the tank removed properly as there was no soil testing during removal or installation. Soil must be tested and removed if oil is found. Even though it may be years later, the seller remains liable under environmental laws like the Resource Conservation and Recovery Act enforced by the EPA.

64. Every agreement of sale and rental leases over 100 days must include a Lead Based Paint Disclosure addendum. The seller must disclose if they are aware, or not aware, of any lead paint in the property, as well as any findings from previous paint testing. The buyers or tenants acknowledge receiving the information and are given the right to inspect the home for lead based paint. What other information do buyers and tenants receive?

- a. A discount for lead based paint inspections.
- b. A booklet about different brands of paint.
- c. Instruction of how to remove lead-based paint.
- d. A pamphlet, "Protect Your Family from Lead in the Home".

d - Every buyer and tenant must be given this pamphlet from the EPA regarding the risks of lead-based paint and lead from other sources. Aside from paint, lead can be found in soil from flaked outdoor paint or old leaded gasoline leaks. Lead can be found in water, old painted toys and glazing on pottery or porcelain. The pamphlet is available on the EPA's website and is for both state and federal lead notification requirements.

65. Which of the following is a latent defect?

- a. Settlement cracks in the ceiling
- b. Mold under the drywall
- c. Loose roofing shingles
- d. Uneven pavement in driveway

b - A latent defect is something that cannot be easily seen. The other answers are visible to the naked eye, while mold can be difficult to detect. Even a home inspector would not know of mold behind the drywall as the wall would have to be torn down for him to see. When you are buying a house, you need to protect your investment and have the home inspected by a

certified home inspector. If mold is a concern you could hire a mold specialist to have the house checked. Homes near water or in a damp climate can certainly have mold. Any former leaks or flooding could cause a large mold problem if not treated right away.

New Jersey Real Estate Practice Test - Section 8

Contracts

66. A contract for the sale of real estate in New Jersey has to meet certain requirements in order to be a valid contract. One requirement is that the contract must be for a legal purpose. Which of the following real estate transactions would involve an illegal purpose?

- a. Buying a property at a low price to “flip” for a profit.
- b. Paying the seller cash on the side to lower the price and mortgage amount.
- c. Using a straw buyer.
- d. Getting money from your parents for the down payment.

b - All money has to be accounted for in a real estate transaction. You are required to sign a document at the settlement table stating that no money has changed hands outside of the contract. The buyer could be defrauding the lender and the seller would not be paying his share of the NJ Realty Transfer fee. Usually this would be accomplished by using two contracts, one between buyer and seller and one for the lender. Called a dual contract, it is illegal. A dual contract is void from the start. It is legal to buy and flip property, as well as use a straw buyer. However, there is a high potential for fraud in some straw buyer situations. Normally, a famous person or business owner may want to conceal their identity to assist in their negotiations, so they have another person put their name on the contract. The lender must be fully informed, and the straw buyer has no rights or interest in the agreement. And, parents can give money to their children in the form of a gift letter in certain circumstances, like some FHA loans.

67. Which of the following real estate contracts is voidable?

- a. Where a seller enters into a contract to sell property he does not own.
- b. A contract that leaves out the consideration for the sale.
- c. Where unbeknownst to the seller, a buyer signs a contract when intoxicated.
- d. Using a dual contract to avoid NJ realty transfer fees.

c - A voidable contract is a contract that is binding on one party and the other party has the right to rescind it or legally avoid its contractual obligations. A void contract, on the other hand, lacks one of the requirements to form a contract and is binding on neither party. Only answer c involves a voidable contract. If the buyer can prove he or she was intoxicated and did not have the intent to be legally bound, the buyer can cancel the contract. The seller would be bound to the contract and would not have any right to rescind based on the buyer's condition. Answers a and b lack consideration needed for a valid contract, i.e. the seller must own the property in fee simple to convey it. Answer d involves a contract with an illegal purpose.

68. A listing states that a property is 30 acres. A buyer makes an offer to the seller and a written land sale contract is entered into stating 30 acres. The buyer obtains a survey as part of his inspections and the property is actually 20 acres. The seller never had a survey when he bought it so he believed it to be 30 acres. What are buyer's options?

- a. Rescind the contract.
- b. Accept the property as is.
- c. Renegotiate a lower price.
- d. All of the above.

d - The contract is voidable due to the seller's unintentional misrepresentation of a material fact (consideration) with the buyer having the right of rescission. An unintentional or intentional misrepresentation of material fact results in a voidable contract. An unintentional misrepresentation is considered the result of negligence if the person making the misrepresentation should have known the truth of the material fact. An intentional misrepresentation is considered fraud. A material fact to a contract is a fact that a reasonable person would consider important when deciding to enter into a contract. Only the party negatively affected by the misrepresentation has the right of rescission. In this case, the buyer can either decide to keep the contract or rescind it. With the power of rescission, the buyer is in a position to renegotiate a lower price.

69. A 17-year old buyer signs a contract to purchase real estate. The seller did not know the age of the buyer at the time the contract was entered into. Can the seller enforce the contract?

- a. Yes, but the buyer can cancel the contract if he so chooses.
- b. No, the contract is unenforceable due to the buyer's age.
- c. Yes, but the seller must reaffirm the contract after learning the buyer's age.
- d. No, because the contract is void.

a - The contract is voidable. Voidable contracts are legal and valid. The voidable contract is binding on the seller, but the buyer can cancel it due to his status as a minor if he wants to get out of the contract. The terms of the contract cannot be enforced against him if he chooses to cancel the contract.

70. When does delivery of the deed take place?

- a. When the seller signs the deed.
- b. When the seller's attorney receives the signed deed.
- c. When the seller signs and the buyer accepts the deed.
- d. When the deed is recorded in a recorder's office.

c - It is the delivery and acceptance that constitutes delivery of the deed. By signing the deed, the seller (grantor) shows his intent to pass the property to the buyer (grantee). By accepting the deed, the buyer has taken possession of the property. Delivery does not take place when

the seller gives a signed deed to the seller's attorney, but if the seller gives the signed deed to buyer's attorney that could be considered delivery if authorized by the buyer.

71. Which of the following clauses is required in New Jersey real estate contracts?

- a. Forum selection clause
- b. Choice of law clause
- c. Attorney review clause
- d. Liquidated damages clause

c - Sometimes called the notice to buyers and sellers, the attorney review form must be attached to all real estate contracts in New Jersey and signed by both buyers and sellers. It informs them of who the agents represent and the reasons for being represented by an attorney. An attorney can assist in some or all of the buying and selling process from start to finish. New Jersey is unique in that the northern part of the state does business like New York (lawyers almost always are involved and handle the settlement) and the southern part like Philadelphia (title companies often conduct the settlement and not everyone uses an attorney). The notice informs all residents of the benefits of having an attorney. After the contracts have been fully signed and initialed by all parties and everyone has their copy, there is a 3- business day period where an attorney can review the contract and either approve or disapprove. If approved, the contract will move forward. If disapproved, the attorney may suggest some changes and negotiations begin. That can result in a new contract or a dead deal. The three days start on the first full business day after signatures and received copies.

72. Which remedy is characterized by a court ordering a seller to transfer real estate in accordance with an existing fully signed agreement of sale?

- a. Damages
- b. Restitution
- c. Specific performance
- d. Liquidated damages

c - Specific performance is a remedy that is typically sought by an aggrieved buyer when a seller wants to back out of a valid land sale contract. With specific performance, the court orders transfer of the land to the buyer and payment to the seller. Specific performance is suited to real estate transactions because land is unique and monetary damages may not fully compensate an aggrieved buyer.

73. If a buyer is denied a loan and mortgage resulting in the cancellation of a land sale contract, what is said to have happened?

- a. Breach of contract
- b. Failure of a condition precedent
- c. Misrepresentation
- d. Failure of a condition subsequent

b - A condition precedent to a contract is a condition that must be fulfilled before the obligations of the contract become binding on the parties. For example, a real estate contract will typically provide a contingency that the buyer must obtain financing in order to complete the transaction. Should the financing not be approved, the contract may be terminated by the buyer for failure of a condition precedent. When this occurs, it is not a breach of contract. Failure of a condition subsequent would refer to a condition after the formation of the contract.

74. Under what statute does New Jersey recognize electronic signatures?

- a. The Statute of Frauds
- b. Uniform Electronic transactions Act.
- c. Uniform Fiduciary Access to Digital Assets Act.
- d. Electronic Signatures in Global and National Commerce Act.

b - The Uniform Electronic Transactions Act was enacted in New Jersey in 1999 "to facilitate the use of electronic records and signatures in interstate or foreign commerce." With this Act, companies, governments and private individuals have been able to streamline the process of doing business by ending the tedious distribution of documents by mail, courier or overnight services. A safe and speedy way to complete transactions, private sector electronic commerce is crucial to the standing of the United States in the global market. When using electronic signatures, the signing parties should all agree in writing to do so, and e-signatures cannot be used for matters handled by courts such as wills, trusts etc. The UETA is used by most states.

75. Which of the following are unilateral contracts?

- a. A land sale contract.
- b. An insurance contract
- c. An option contract
- d. Both B and C

d - The best way to remember the difference between bilateral and unilateral contracts are their prefixes, bi and uni. A bicycle has two wheels, a unicycle has one. A bilateral contract is a promise between two parties that requires each party to perform. A unilateral contract is a promise that one party must perform and the other party does not have an obligation to perform. An example of a unilateral contract is an option contract. In an option, the seller offers his property for sale at a certain price for a specific period of time and the buyer gives the seller a deposit to hold that agreement. The buyer can choose to purchase the property or refuse and forfeit his deposit. The seller must sell but the buyer is not bound to the purchase. Another example of a unilateral contract is a contract for insurance, where the insurer makes a promise to cover a loss by an insured if an event occurs, but if the event does not occur, it has no obligation to pay. An example of a bilateral contract is a land sale contract where a seller promises to sell and a buyer promises to buy real estate and the exchange depends on both parties performing.

76. Which of the following describes an addendum to a contract, as opposed to an amendment? Assume all of the following changes are made after a land sale contract has been signed by the parties.

- a. The buyer and seller agree that instead of the seller fixing the roof, as stated in the contract, he will give the buyers a credit at settlement.
- b. The buyer and seller agree to move the settlement date and close a week earlier.
- c. A buyer and seller wish to add a provision that the current zoning laws will permit an addition to the property.
- d. The seller and buyer agree that a seller will take the appliances instead of including them in the sale, as the contract had stated.

c - There are a few differences between an amendment and an addendum. An amendment is made to terms that already exist in a contract, typically by crossing out and initialing the terms that are changed and adding additional language for the revised terms. An addendum, on the other hand, adds additional terms not covered by the original contract, by attaching a new document to the written contract. In answer c, an addendum will be needed to add a provision that was not previously addressed in the original contract. The other three answer options are changes to terms that already were covered in the original agreement.

77. Tom signed a lease to pay rent in order to occupy an apartment over the next year. What type of contract did he sign to complete the transaction?

- a. A unilateral contract
- b. An implied contract
- c. A bilateral contract
- d. A dual contract

c - A bilateral contract is a binding agreement between two people where each party has made a commitment to perform something in return for something else. The landlord promises to give the property to the tenant for the term of the lease and keep the property in good order, and the tenant promises to pay the rent on time and cause no harm to the property. The interest the tenant has during the next year is a leasehold estate or estate for years, an interest with a beginning and an end. The landlord has an estate in reversion, meaning that the property will revert back to them after the leasehold has expired.

78. Rachel has a contract to sell an undeveloped tract of land to Steve and the contract has a closing date of September 10th. Rachel prepared for closing and was ready to close on September 10th, but Steve was not ready for closing and requested an extension. What condition should Rachel have included when the contract was drawn, and can be made a condition of an extension, if granted?

- a. A punitive damages clause
- b. A specific performance clause
- c. A Time is of the Essence clause
- d. Waiver of Liability.

c - Time is of the essence means that all parties to the contract will perform and complete their responsibilities by a certain date. Failing to perform on time results in a breach of the contract. Without a time is of the essence clause, contracts may be interpreted to allow a reasonable time to perform, and if and when a contract is breached is more indefinite. In this scenario, if Rachel's contract did not have a Time of the Essence clause, it would be advisable to include a Time is of the Essence clause into the contract with an agreement on an extension, so Steve will be motivated to be ready on time at the next closing date, and if he's not ready, Rachel can declare a breach if she so chooses.

79. Carl lists his home for \$470,000. John offers \$455,000. Carl counters with \$460,000. John rejects the counter offer. A few months later, Carl has received no other offers. Can he accept John's offer of \$455,000?

- a. Yes, as offers don't expire.
- b. Yes, because John never terminated the offer.
- c. Yes, because Carl's counteroffer kept the negotiation alive.
- d. No.

d - When Carl made a counteroffer to John, it cancelled John's counteroffer. A counteroffer negates the previous offer. In the scenario, there is no offer left to accept as all offers were either cancelled by counteroffer or rejected.

80. A seller lives in a location that recently became popular due to the opening of a train station near-by that made commuting into town much easier. To her pleasant surprise, the seller receives four offers within two days of her house being listed for sale. Sensing she listed her house too low and wanting to stimulate competition amongst the offerors, she instructs her real estate agent to tell the three lowest offerors what the amount is on the highest offer. Is it permissible for the real estate agent to disclose the amount of the highest offer to the other three offerors?

- a. No. The buyer with the highest offer has the right of confidentiality.
- b. No, because the seller could lose all the buyers.
- c. No, the agent needs to explain to the seller that this is unethical.
- d. Yes. The real estate agent works for the seller.

d - Although there seems to be ethical issues with this action, it is the sellers right to handle the situation as they see fit. The National Association of Realtors Code of Ethics does not prohibit the disclosure of terms of other offers. You are bound to obey the sellers wishes even though you may disagree with them.

What happens when multiple offers are submitted on a property? There are several ways to handle this situation. It's not a good idea to have all the buyers fight it out as you run the risk of losing them all. That usually happens when you counter all of the offers at the same price. But the seller makes the decision how to handle the situation, you are there to assist and support their decision. One solution is to have each buyer present their highest and best final offer and the seller will choose the one that works for them. It may be the best price or the best terms or both. Sometimes this is done by sealed bids with a cutoff date when all the offers will be opened and one will be chosen. Sellers can also counter an offer that they find attractive except for one item and put the others aside for a day or two.

New Jersey Real Estate Practice Test - Section 9

Leasing and Property Management

81. Real estate agent licensees who act as property managers have a fiduciary responsibility to the principal. Depending on the property management agreement, there may be many tasks in the agent's job description. Which of the following would be considered a breach of the fiduciary duty?

- a. Giving a tenant an extra day to pay the rent.
- b. Hiring your brother to do work on the property because you know you can trust him.
- c. Keeping records on your office computer.
- d. Only communicating with the principal twice weekly instead of daily.

b - If you are going to hire someone who is related to you to perform a service for the building, it needs to be disclosed to the principal. It can be considered a conflict of interest and the decision must be the principals to make. It may be an asset to him to have someone you trust in the position, but it could also lead to favoritism, or worse. The other choices are minor things that may have been covered in the agreement, but are not necessarily a breach of duty unless something else had been agreed upon.

82. What kind of lease has the tenant pay all the expenses for the property, even those traditionally paid by the landlord?

- a. Gross lease
- b. Net Lease
- c. Step-up Lease
- d. Percentage Lease

b - The tenant will pay most or all of the building expenses in a net lease. It is typically used in leasing commercial real estate. The fixed rent is usually lower than normal to compensate for the cost of the building expenses. Also called a triple net lease in New Jersey, the expenses cover whatever is in the lease including utilities, water and sewer, property taxes, repairs and insurance. In a gross lease, the seller pays for most of the building expenses, for example a residential lease.

83. What is the maximum amount of security deposit a landlord can charge in New Jersey?

- a. Two month's rent
- b. One month's rent
- c. One and a half month's rent
- d. The amount is not regulated.

c - The state of New Jersey limits the amount of a security deposit to one and a half month's rent. Any additional deposit such as a pet deposit is limited to no more than 10% of the security deposit.

New Jersey Real Estate Practice Test - Section 10

Transfer of Title

84. As parties to a land sale contract are preparing to go to settlement, one of the things that a title company will do is to check the title of the property to make sure it is clear and transferable. Right before closing an additional title search is performed to make sure no new problems have shown up since the last search was done. What is this last- minute search called?

- a. Examination of Title.
- b. Schedule B-2.
- c. Continuation.
- d. An exception.

c - A continuation or "run- down" is a last- minute update to the original title searches. Since the title company is insuring the title, they must make every effort to find anything that could cost them money. The examination of title is the title company or attorney studying the report prior to the title report or commitment being prepared. Schedule B-2 is the part of the ALTA settlement sheet that deals with liens. An exception is a summary of what the title insurance does not cover, such as governmental acts like condemnation and zoning issues.

85. Where is a deed filed and recorded to establish public notice and confirm ownership?

- a. At the City Hall of the municipality where the property is.
- b. At the Title Company after closing.
- c. At the County Clerk or Registrar of Deeds.
- d. With your lender.

c - Your county, or the county where the property is located, maintains public records of all sorts in the County Courthouse. There is a clerk or registrar who will record and maintain these records. Anyone can look at these records, sometimes for a fee. The ability of the public to have access to these records serves as public notice. In this manner, the deed recording gives constructive notice, meaning it is available to anyone who wishes to view it and establishes a reasonable person standard of notice. A buyer cannot claim to not have had notice of a deed if it was of public record and a reasonable person would have checked and known of the deed.

86. At closing, which of the following will likely require proration and reimbursement to the seller?

- a. Water and sewer
- b. Home owner's insurance
- c. Electricity
- d. All of the above

a - Water and sewer are paid in advance, sometimes yearly or bi-annually. It is likely that the seller would have money coming back to him. Sometimes, if the bill is due close to the settlement day, the seller will not pay it, the title company or attorney will charge you for it and the seller will reimburse you for the days he owned the property. Homeowner's insurance should be cancelled in advance for the day after closing and the insurance company will reimburse the seller. Electricity and cable will also be cancelled by the seller and any money due will be reimbursed to the seller by the companies.

87. A title search finds an undischarged mortgage from 1984. The title insurance company agrees to cover against this defect to facilitate a transfer of ownership in a sale of the property. What kind of title will be transferred?

- a. Marketable
- b. Unmarketable
- c. Insurable
- d. Free and clear

c - A title is "marketable" if it is free and clear of from all defects. When a chain of title has defects and a title insurance company agrees to cover the defect in the event it becomes a problem to ownership or value down the road, is considered "insurable". Insurable title can be transferred as long as title insurance covers the defect. If there's a defect in the chain of title and no insurance, the owner will have to repair the problem before he or she can convey marketable title.

88. If a home is old and has not been updated for many years, which of the following can a seller offer a buyer to give them confidence that the appliances, plumbing and HVAC systems will be repaired or replaced if they stop working after closing?

- a. Manufacturer's warranty
- b. Homeowner's insurance
- c. Home warranty
- d. Seller service contract

c - A home warranty is a service contract between the buyer and a home warranty company to repair or replace appliances, plumbing, HVAC systems and other covered systems. Home warranties are not typically used with new construction, which have current manufacturer warranties on new appliances and systems, but with older buildings where the appliances and other systems have not been updated by the seller. The offering of a home warranty can make a difference to a buyer having a hard time making a decision. The costs of the home warranties can differ from company to company and from what is covered. A seller will typically purchase a one- year contract which the buyer can renew on an annual basis.

89. Which of the following types of deeds is a special warranty deed?

- a. Bargain and Sale deed
- b. Warranty Deed
- c. Quitclaim Deed
- d. Bargain and Sale Deed with Covenants Against the Grantors Acts.

d - The bargain and sale deed with covenants or special warranty deed only warrants the current owner of the property, so title insurance is absolutely necessary. The abstract and chain of title will help to make sure someone in the past has not compromised the title. The following are all used to convey property but with different levels of protection for the grantee:

Warranty Deed - it offers the most protection to the buyer, mainly because it guarantees the title before and during the grantor's ownership.

Bargain and Sale Deed - conveys the property with no warranties against encumbrances.

Bargain and Sale Deed with Covenants Against the Grantors acts warrants that the grantor, or seller did nothing to encumber the title while he owned the property.

Quitclaim deed - transfers any rights the grantor has, offering little protection to the grantee. But it has its uses, often used to transfer property within families, or remove a cloud from a title.

90. Which of the following laws requires that deeds be in writing?

- a. The Statute of Frauds
- b. The Affidavit of Title
- c. The Habendum Clause
- d. The Real Estate Sales Full Disclosure Act

a - The statute of frauds (NJ Rev Stat 25: 1-11 and 1-13) requires deeds and most real estate contracts to be in writing to prevent fraud and protect consumers. The affidavit of title is a sworn written document in which the seller attests that there are no encumbrances outside of what is in the title searches. The Habendum Clause is the description of what the grantor intends to convey, beginning with "to have and to hold". And the real estate sales full disclosure act was passed to protect New Jersey residents when buying property out of state.

91. What are the TILA disclosures at closing?

- a. The document the seller signs attesting he has done nothing to encumber the title.
- b. A disclosure setting forth the true cost of borrowing mortgage money.
- c. A document disclosing title policy prices.
- d. The accounting of where the buyer's money originated.

b - TILA is the Truth in Lending Act, established to protect consumers from hidden fees when borrowing money. It was merged with RESPA, the Real Estate Settlement Procedures Act requiring buyers be provided with all the details of their mortgage loan. The statutes were similar but different, and the confusion led to the combining of the two, known as TRID, the TILA RESPA Integrated Disclosures. It still dictates that buyers must be given a written accounting of all the costs of the loan and loan process when the buyer applies for the loan, and includes loan amount, APR (annual percentage rate), payment schedule and other pertinent information. There is much less confusion and more transparency. Answer a is the affidavit of title, title pricing is regulated by the state and the lender will track where the money originates by requiring bank statements, etc.

92. A mortgagee will require this when funding a mortgage.

- a. Home warranty
- b. Lender's title insurance
- c. Homeowner's title insurance
- d. Confession of judgment clause

b - A lending bank (mortgagee) on a mortgage loan will require the mortgagor (buyer) to carry lender's title insurance to cover the bank in the event there is a defect in the title that affects its first lien position. The buyer pays for the lender's title insurance. Lender's title insurance is different than homeowner's title insurance. Lender's title insurance only covers the lender. Homeowner's title insurance that covers the homeowner in case of defects in the chain of title is optional to the buyer.

New Jersey Real Estate Practice Test - Section 11

Practice of Real Estate

93. Which of the following is an example of price fixing which is a violation of the Sherman Antitrust Act?

- a. Agents list all of the homes in a certain neighborhood at similar prices based on comparable prices.
- b. The brokers in a small town get together and decide that they will all charge a six percent commission on listings.
- c. Charging customers for services that other agents perform for free.
- d. An agent forming a trust as part of estate planning for her family.

b - The Sherman Antitrust Act prohibits acts like collusion in commerce that are meant to unfairly dominate a market on basis that they are anti-competitive. The collusion of brokers to fix commission rates in a geographical region would violate the law. Brokers may charge whatever they want and sellers have the right to negotiate commissions or shop around for the best service at the lowest rate, something they cannot do if the brokers stick together and freeze the commission rate. The term "trust" has a different meaning today than it did in the 19th century when the Act was passed. Today, a trust is a form of asset ownership that allows one to pass assets to another and have it managed by a trustee. In the 19th century, at the time the Act was enacted, the term trust related to collusion or conspiratorial conduct that led to unfair competition.

94. What is license lending?

- a. When an agent uses an unlicensed assistant to conduct an open house.
- b. Using a real estate license to get favors from title companies, home inspectors etc.
- c. When a broker allows an agent to use his broker license to open an office that the broker does not really manage.
- d. When an agent uses her out of state license to show homes in New Jersey.

c - Sometimes a real estate agent, who is not a broker, will open a real estate office and for several reasons not be able to obtain a broker's license before opening. They may know someone who has a broker's license and ask them, or pay them to use their license until they can obtain one of their own. The reason we have a broker of record is to make sure the day to day operations are functioning properly and legally. A broker needs to review contracts, make sure money is handled and secured properly and conduct meetings to keep agents informed of new or changing laws and practices. When someone takes the classes and passes the broker's exam, they are ready to assume the duties of opening a real estate business, and not before.

95. Which of the following would constitute the discriminatory practice of steering?

- a. Only showing minority buyers houses in a neighborhood of minority families.
- b. Only showing houses listed with your company to your buyers.
- c. Showing houses to buyers above their price range to get them to spend more money.
- d. Pushing a listing that pays the selling agent a \$5,000 bonus.

a - The New Jersey Law Against Discrimination (LAD) prohibits certain real estate practices that are considered discriminatory. Some examples of discriminatory practices include redlining, blockbusting and steering.

Steering is something that still occurs, some with malice and others by just assuming that the buyers would be "more comfortable" in certain areas. It is ok to show someone homes in one specific area if that is the only place you can find listings in their price range. But every buyer has the right to live anywhere they can afford to live, and where that may be is their decision, not the real estate agents.

Redlining came about when insurance and mortgage companies literally took a red pen to outline the neighborhoods they refused to service because of race or ethnicity. As an agent, you should solicit listings in every neighborhood in your service area, and not exclude homes in ethnic neighborhoods when putting together a list of homes to show your buyers. Blockbusting is used to intimidate and panic owners in a neighborhood by telling them a minority group(s) is coming closer to their area and that they should sell now before prices go down.

96. Under the Americans With Disabilities Act (ADA), disability is a broad term that encompasses both physical and mental challenges. The ADA protects the rights of those parties covered by the Act from discrimination in the workplace and other areas. What physical or mental conditions are not covered by the ADA?

- a. Bipolar disorder
- b. Cancer patients
- c. Obsessive-Compulsive Disorder
- d. Psychoactive Substance Abuse Disorders

d - The first three choices are covered by the ADA. However, current drug users are not covered.

97. Which of the following postings must appear in all businesses that are involved with selling or financing real estate?

- a. The New Jersey Antidiscrimination poster
- b. Federal Fair Housing poster
- c. Both a and b.
- d. Neither a nor b

c - Businesses involved in the selling or financing of real estate must display both the New Jersey Antidiscrimination poster and the federal Fair Housing poster all real estate related buildings. Failure to do so can cost a minimum of \$100.

98. The rules on broker trust accounts are very clear as to how to handle business accounts. Once a broker comes into possession of client funds, the funds must be deposited promptly into a trust account. How long does a broker have to deposit the client funds after receiving them?

- a. Seven days
- b. Five days
- c. Seven business days
- d. Five business days

d - The money must be deposited in the approved broker's trust account within five business days. The financial institution must be approved by the New Jersey Real Estate Commission and the account number must be registered with the commission as well. Each deposit must be kept separately from other customer's deposits. Proper records must be kept as well.

99. What is a Waiver of Broker Cooperation?

- a. The listing broker waives exclusivity to sell the property.
- b. The buyer's agent agrees to forego compensation.
- c. The listing broker only let agents from his office sell the Exclusive Right to Sell listing.
- d. The seller specifically prohibits, in writing, a broker from showing the property.

d - The seller, for any reason, can stop any real estate office from coming to show his property. Although this sounds improbable, it can happen for a variety of reasons. Usually someone from that office has done something to hurt or offend the seller in the past. The listing broker is bound to let any licensed agent show the property unless the waiver has been signed to exclude them and the excluded party has the right to see the signed waiver. An Exclusive Right to Sell listing can be sold by any licensee and cannot be limited to the listing office. Brokers must always cooperate with each other.

100. A real estate agent works in real estate office where the broker requires her to work certain hours and attend mandatory business meetings. The office takes taxes out of her commissions and provides an office and use of the equipment such as the copier and computer system. Based on the circumstances of this real estate agent's work arrangements, what status does the agent have with the office?

- a. Independent contractor
- b. Employee
- c. Joint venturer
- d. Partner

b - Some real estate offices consider and treat their agents as employees. Whether an agent is an employee or an independent contractor comes down to certain factors, like how much control the office has over the agent's work and whether tax withholding is done. The more control an office exerts, the more likely it will be that the agent will be found to be an employee by the Internal Revenue Service. On the other hand, most real estate agents work as independent contractors. The agents pay their own taxes, receive no health benefits from the broker, pay for travel and business expenses and the agent builds their clients and customer base. When an independent contractor, the broker is not responsible to provide business opportunities for them.

The written agreement between agent and broker will establish how an agent will work at a particular office. An employment agreement is mandatory in New Jersey. Like most other binding agreements, it must be signed and dated by both parties. It should clearly explain the relationships are, how the agent will be paid and what is expected of both parties.

101. Which of the following practices are not consistent with New Jersey statutes (56:8-2) as to Truth in Advertising?

- a. A broker publishing an ad to sell property written by a client.
- b. Using the term "sold" on a listing that is to close in a couple days.
- c. Identifying the brokerage firm in an ad.
- d. All of the above are consistent with the regulations.

b - New Jersey statutes (56:8-2) provides that "It is unlawful to, among other things to use deception, fraud, false promise or misrepresentation in connection with the sale or representation of any merchandise or real estate". A broker is not permitted to use the term "sold" on a property until after it has closed. To avoid violations of the statute, brokers must review any advertising written by anyone else, including the client. Ads must identify the brokerage firm and a firm cannot advertise another broker's listing. Ads for listed houses must include the town where the property is located.

102. Which of these four listing types are illegal in New Jersey?

- a. Exclusive Right to Sell Listing
- b. Net Listing
- c. Open Listing
- d. Oral Listing

b - A Net Listing is illegal in New Jersey. A Net Listing is a listing where a real estate broker gives the seller a listing price and keeps only the amount of money over and above the listed price when the house sells. It is illegal mainly because it can lead to serious misrepresentation and fraud. If you tell the seller the house is worth \$80,000 and then sell it for \$115,000, you will be taking \$35,000 for your commission. This is in direct violation of the fiduciary responsibility and why we have these laws and practices. A real estate salesperson is to protect the principal and act in their best interests at all times.

The exclusive right to sell listing is a type of listing where the office that has the listing is the only office who can receive the listing end of the commission when the property sells. An open listing is available to any broker to sell, and that broker will earn the commission. An oral listing is a listing where nothing is in writing and is strictly a verbal agreement.

103. Which of the following would violate the Sherman Antitrust Act for reason that it is anti-competitive?

- a. A broker requires a buyer to list with him when the buyer is ready to sell.
- b. An agent limits her practice to a geographic area.
- c. A broker setting a limit on negotiated commissions.
- d. Only advertising on one radio station.

a - This represents a Tying Agreement, which ties the future listing of the property to the broker that represented the client in the initial transaction. This removes the ability of the homeowner to choose the broker who may be the best fit for them when they are ready to sell. It also can allow the broker to avoid negotiating commissions or to spend money on advertising since the clients are captive. Farming is ok, but if there's an agreement amongst brokers or agents to divide geographic areas with the intent of limiting competition it is illegal. A broker can always agree to limit commission rates that would not be profitable. Only advertising on one radio station does not prevent others from advertising with the radio station.

104. Which of the following cannot be solicited by phone under the New Jersey Do Not Call List?

- a. Other businesses
- b. Current clients where there is an ongoing obligation to perform.
- c. Past clients where the relationship has been terminated.
- d. Both a and c

c - The New Jersey Do Not Call List prohibits telemarketing to past clients where there is no continuing services being provided and the relationship has been terminated. As far as clients, calls can only be made to existing clients where there are pending obligations to perform and established clients where the agent previously provided continuing services and there's not been a termination of the relationship. Telemarketing calls can also be made to other businesses. Businesses are not covered by the New Jersey Do Not Call List.

105. The Federal Fair Housing Law applies to certain protected classes. They include race, color, religion, national origin, sex, disability (including mental, physical and substance abuse in recovery), and familial status. Which of the following represents someone protected by familial status?

- a. A newly married same-sex couple.
- b. A married man separated from his wife.
- c. A father, mother and their 19- year-old daughter
- d. A mother with 3 small children

d - Familial status is concerned with families with children under 18. You cannot refuse to rent or sell to anyone because they have children, unless it is senior housing or the number of children would be over the limit of the municipality rental laws.

106. Once buyers and sellers have agreed upon all of the negotiated items and the attorney review period is over, the buyers have to do their “due diligence” to move the sale forward. They have a responsibility to have their mortgage application submitted, conduct home and termite inspections if they choose to do so and have a title search ordered. What other task would fall under the buyer’s due diligence?

- a. Hiring an attorney.
- b. Obtaining home insurance.
- c. Having utilities turned on in their name.
- d. Have the movers scheduled.

b - Since insurance will be a requirement of the lender, the buyers must obtain the proper insurance as soon as possible. Since an attorney is not mandatory, having one or not has no bearing on the contract or closing. The utilities and movers also do not affect the sale and as most sellers have the utilities turned off, it is necessary for the buyers to call to resume service and open the accounts after closing.

New Jersey Real Estate Practice Test - Section 12

Licensing Requirements

107. All but one of the following are the basic requirements for someone looking to obtain a New Jersey Real Estate License. Which is incorrect?

- a. You must be at least 21 years of age.
- b. You must have a high school diploma or equivalent.
- c. Attend 75 hours of classes at an approved school.
- d. Pass the state exam.

a - You must be at least 18 years of age in New Jersey to obtain a real estate license. If you have an out of state broker’s license, New Jersey may waive the instruction requirements but passing the state exam is never waived.

108. The state of New Jersey requires a criminal background check to assure that applicants are of good character. What part is the applicant responsible for obtaining?

- a. Reference letters
- b. Police reports
- c. Fingerprints
- d. Employment references

c - Fingerprints are required. The applicant must download the proper forms from the Real Estate Commission's web site and follow the instructions carefully. A date and time must be scheduled and a copy must be obtained.

109. Which of the following activities requires a real estate license?

- a. Working in a property management office.
- b. Working as an assistant to a real estate agent.
- c. Working in commercial and residential appraisal services.
- d. Working as an auctioneer and occasionally auctioning real estate.

d - In New Jersey, you need a real estate license if you work as an auctioneer and auction real estate, even if only occasionally. If you are helping your friend negotiate the purchase of a home and mortgage you need a license. If you help out your landlord by renting apartments in your building and collecting rent, you need a license. Other jobs that require licensure include real estate instructor. In order to apply for a license to teach the pre-licensing course in New Jersey, you must have been licensed as a broker for the past two consecutive years or have a bachelor's degree.

Not all persons who work in a property management or real estate office need a license. You can work in a property management office without a license as long as you do not collect rent, show apartments or anything else done by a licensee. The same holds true for a real estate assistant. They can put up signs, drop off keys and paperwork and prepare a property for an open house by laying out information, opening curtains etc. without a license. A receptionist may also do those things but may not give any information about property, prices etc. on the phone or to a walk-in customer.

New Jersey Real Estate Practice Test - Section 13

Real Estate Calculations

110. John and Mary bought their home in 2016 for \$200,000. They were required by the lender to put 20% of the price as a down payment. Within a year of the purchase, housing like theirs has appreciated 10% in value. How much equity do John and Mary have in their home?

- a. \$40,000
- b. \$60,000
- c. \$120,000
- d. \$220,000

b - When John and Mary put 20% (\$40,000) of the purchase price down on the house that amount became instant equity. The appreciation of 10% of their home they paid \$200,000 for equals \$20,000. The total of the down payment plus the amount of the appreciation equals

\$60,000. Very little equity would have resulted from paying down the mortgage since the payments in the early years are almost all interest.

111. If buyer takes a mortgage of \$72,000 on home priced at \$90,000, what is the loan to value ratio?

- a. 20%
- b. 35%
- c. 80%
- d. 90%

c - The Loan to Value Ratio is used by lenders to understand how much liability they will have when processing a loan. It is the percentage of the price paid for the home divided into how much is mortgage and how much is the borrower's own money. To arrive at the loan to value ratio, divide the mortgage amount (\$72,000) by the sale price (\$90,000) as a percent and that should give you the ratio - 80%.

112. A borrower is purchasing a home for \$320,000 and putting 20% down with a mortgage. He wants to reduce his interest rate on the mortgage by buying two points from the lender. How much will the points cost the borrower up front?

- a. \$2,560.00
- b. \$5,120.00
- c. \$3,200.00
- d. \$6,400.00

b - A borrower will pay 1% of the mortgage amount per point as way to buy down the mortgage rate. To determine how much the points cost, first find the mortgage amount and multiply that number by 2%.

Mortgage amount = $\$320,000 \times .8 = \$256,000$

Two points = $\$256,000 \times .02 = \$5,120$

113. Jane Doe lists her property with you but she is not willing to pay a 6% commission, as is the policy of your broker. You explain how the commission rate will drive agents to work hard for the sale and after negotiating a bit longer, Jane agrees to pay 6% IF she can net \$325,000, otherwise she will pay 5%. What would be the lowest price you could list for if you want the 6% commission, considering the other closing costs are paid outside of closing?

- a. \$305,872
- b. \$325,750
- c. \$344,500.
- d. \$345,744

d - In order to arrive at the lowest acceptable offer, take the desired amount and divide by 94% (.94). The quotient will be lowest possible selling price to allow for a six percent commission.

$$325,000 / .94 = \$345,744$$

$$\$345,744 \times .06 = \$20,744$$

$$\$345,744 - \$20,744 = \$325,000$$

114. Seller is selling a house in an area where property taxes are paid quarterly. The settlement date is December 2nd and the tax amount for the last quarter is \$328.00. How much will the seller have to pay in taxes for the last quarter?

- a. \$224.91
- b. \$229.60
- c. \$264.43
- d. \$328.00

a - The seller owes October, November and the first two days of December. To determine the per diem, determine the number of days in the quarter: October (31), November (30) and December (31), which equals 92 days. Divide the total taxes due by the number of days in the quarter: $\$328 \div 92 = \3.57 per diem.

Next, multiply the per diem by the number of days seller will be in possession: $\$3.57 \times 63$ days = \$224.91.

115. John works for Fabulous Realty and sells a property listed by Humble Realty. John is a very successful sales agent and based on last-years sales totals he is earning a 70% commission split with his broker. The Humble Realty listing sold for \$400,000 and the commission rate was 5.5%. How much will John earn in commission for this sale?

- a. \$8,400
- b. \$7,700
- c. \$11,000
- d. \$22,000

b - Before you start calculating, you need to remember there are two offices involved in this sale so the first thing you do is to find the total commission and divide it by 2 - half goes to the listing office and half to the selling office. The sale price of \$400,000 x the 5.5% commission = \$22,000. Each office will receive \$11,000, and that will be split between broker and the agent based on their agreements. John is earning 70% of the \$11,000 commission ($11,000 \times .7$) which is \$7,700. The broker retains the 30%, or \$3,300.

116. You are showing an apartment building to an investor. Based on some research, the investor believes the building might yield \$40,000 net profit from rentals. Using a comparable, a similar building recently sold for \$250,000 and had an annual net operating income of \$50,000. What is the capitalization rate and the value of the apartment building the investor is considering?

- a. 10%; \$400,000
- b. 20%; \$200,000
- c. 25%; \$160,000
- d. 30%; \$133,333

b - The capitalization method is a way for investors to determine the current value of a property being considered for purchase. To determine value, the method multiplies an expected net operating income by a capitalization rate. The investor can estimate the net operating income (NOI) by determining the building rent less expenses. In this scenario, the investor has determined the potential NOI to be \$40,000. Next, the investor must determine what capitalization rate to use. A similar property recently sold can be used if the NOI can be determined. In this case, the comparable sold for \$250,000 with a NOI of \$50,000. The cap rate is determined by dividing \$50,000 by \$250,000, which equals 20% or .2. To find the value of the property the investor is looking at, divide \$40,000 by .2 to get the value - \$200,000.

117. A large shipping company is looking for raw land to build a warehouse. The company is looking for ten to fifteen acres. You have found a parcel you think might fit the company's needs. The survey and tax maps show the rectangular parcel to be 452 feet by 1061 feet in dimension. What is the total acreage?

- a. 11
- b. 12
- c. 9.5
- d. 16

a - To convert square feet into acres you need to multiply the lot size of 452 feet by 1061 feet to arrive at the total square feet of 479,572. You then divide that figure by the amount of square feet in an acre, 43,560, which gives you 11 acres. Every real estate licensee should have the square feet of an acre burned into their memory! It will almost always come up in exams and continuing education.

118. A certain area in New Jersey has an average vacancy rate of 4.5%. An investor is looking at an apartment building as an investment. The building has 90 units with 14 units unoccupied. What is the vacancy rate of the subject building and is it higher or lower than the average?

- a. 2.2%; lower
- b. 6.4; lower
- c. 15%; higher
- d. 45%; higher

c - To determine the vacancy rate of the subject building, the first step is to multiply the vacant units by 100.

$$14 \times 100 = 1,400$$

Next, divide the number by the total units to get the vacancy rate.

$$1,400 \div 90 = 15.5\% \text{ vacancy rate}$$

The subject building has a vacancy rate of 15.5%, which is substantially higher than the local average. It appears that the building is not performing well.

New Jersey Real Estate Practice Test - Section 14

Duties and Powers of the Real Estate Commission

119. If the New Jersey Real Estate Commission decides to pay a visit to a real estate office, how much notice must it give the broker?

- a. No notice is required. They can show up anytime.
- b. Within 24 hours of personally speaking with the broker.
- c. The commission must give 5 business days written notice.
- d. They must make an appointment with the broker and the broker must accommodate the commission as soon as possible.

a - The New Jersey Real Estate Commission can visit a real estate office at any time for any reason. They could be there addressing a complaint, checking the books, looking through listings and contracts to randomly inspect or simply make sure the broker's name and the salespersons licenses are prominently displayed.

120. An agent commits fraud and is guilty of one offense. The New Jersey Real Estate Commission can fine the agent instead of or in addition to license suspension or revocation. What would be the maximum amount the agent could be fined?

- a. \$50,000
- b. \$25,000
- c. \$10,000
- d. \$ 5,000

d - A licensee can be fined not more than \$5,000 for the first offense. Additional offenses would be \$10,000. When a licensee reaches a third offense, he can have his license revoked permanently, at the discretion of the Real Estate Commission.

10 Test Preparation Tips

1. **Start Studying 3 Months Before the Test** - You have a lot of information to review to get prepared. Give yourself enough time to study all of it in a relaxed state of mind. Trying to cram your study in a month or a few weeks before the test will just create anxiety and even panic which is not conducive to learning.
2. **Outline a Study Schedule and Stick to It**– You first need to find out what subjects the test covers, then break them down into a study outline. An outline of the material will give you a birds-eye-view of what you have to cover and allow you to plan to actually study it. Include review days throughout the schedule where you review material you studied the month or two before. Include practice test sessions in your schedule as well. Once you have a study schedule established, commit to it and be disciplined. It will only help you, and give you the benefit of comprehensive study, if you actually follow it.
3. **Study Every Day for at Least One Hour** – Getting prepared for a professional certification exam takes commitment. To maintain this commitment, it is best to make it part of your regular schedule. Plan an hour a day to study the material you have scheduled for the day.
4. **Obtain a Good Study Guide** – A good study guide is very important. It will give you the substance you need to know for the test.
5. **Use Flashcards** – Flashcards are easy to use and can interject some fun into the study process. Flashcards that give you a question on one side and an answer on the other are the most effective. Use them regularly throughout your study schedule.
6. **Take Untimed Practice Tests Periodically to Assess Your Knowledge of the Material** – Use the Tests.com Practice Test to find out how well you know the material. For the first couple times, do not time yourself, but use the test simply to determine your strengths and weaknesses. Focus your study on the areas of the exam where you had the most trouble.
7. **Take a Timed Practice Test Periodically to Practice Test Taking Skills** – Take the Tests.com Practice Test using a timer setting. Determine how many questions are on your state exam and complete that amount of questions in the allotted time. This exercise will allow you to get a sense of how fast you need to work under time pressure.
8. **Tab and Highlight your Reference Books** – Depending on the test, some jurisdictions have open book tests, allowing you to use a reference book while you take the test. Most testing rules do not allow notes in the reference book you use, but many allow highlighting and tabbing. When you use a reference book during a test, it is important to use it in such a way that allows you to work efficiently and not slow you down. Place colored tabs on the pages of the book referencing the sections, so you can turn to them quickly and not have look up page numbers in the Table of Contents. Highlight those sections which you believe to be important and that will be subject to testing.
9. **Meet with Friends who are Studying for the Test and have a Group Discussion** - Your friends and colleagues who are studying for the test will have different strength and weaknesses than you. You can benefit each other by sharing information, discussing issues and asking each other questions about the information subject to testing.

10. **Don't Study the Day or Night Before the Test** – You have prepared for months. Even though you may feel a bit anxious the day before the test, it is important that you give your brain a rest. During the test, you must be clear of mind and able to nimbly move from question to question. If your brain is tired and your eyes are having trouble focusing, you will put yourself at a great disadvantage. Do not study late into the night. You know the material more than you realize. Take the day off, go for a walk, a bike ride or see a movie.

10 Test Taking Tips

1. **Get Good Rest the Night before the Test** – All the study in the world will not save you if you can't focus your eyes and your mind is cloudy due to staying up late at night to study before the test. Test taking is an art and you must have a clear, well rested mind to do well. An important tip, and the first in this list for a reason, is to get a good night's rest the day before the test.
2. **Eat a Good Meal before Leaving for the Test** – Tests usually last a couple of hours. They take much concentration and mental energy. You don't want to have your blood sugar level affect your ability to concentrate. Eat a good meal before leaving to take the test. Stay away from foods that would make you tired.
3. **Get to the Testing Location on Time and Mentally Prepare Yourself** – You do not want to get lost on your way to the testing location or leave too late such that you miss the beginning of the exam or even have to rush to get to your seat. You want to arrive in enough time to sit for 10 or 15 minutes prior to the test to collect your thoughts and clear your mind. Make sure you have the address to the testing location the day before the test, ensure you have the right directions or use a GPS system and find out beforehand how much time it will take to get there so you know when to leave.
4. **Read the Question and Understand What it is Asking** – A cardinal rule of test taking is "Do not read into the question and Answer only What is Asked." Before you read the answers, make sure you understand what the question is asking. Do not let yourself insert qualifications into the questions or assume additional fact patterns.
5. **Form an Answer in Your Mind before Reading the Answer Options** – If an answer comes to you before you read the answer options, and the answer that came to you matches an answer option, odds are that the answer option corresponding to the answer that popped into your head is the correct answer. You know more than you realize. This is how preparation benefits you.
6. **Read all of the Answers** - Even though the first answer option looks right, read all of the answer options all of the time. One of the answers is the correct choice. All the information to answer the question is there. Read all the answer options to understand what options are available. You will find, while one of the first top selections seems right some of the time, a bottom option will occasionally be the right selection because it qualifies the answer in the correct way. If you just take the first answer that seems right without reading the other answer options, you will not get the benefit of all the information in the answer options.
7. **Eliminate Obviously Wrong Answers** – Some of the answer options will obviously be wrong. You can increase the odds you will select the right answer and work more efficiently by first eliminating obviously wrong answers.

8. **Don't get Stuck on Difficult Questions** – Some questions will have difficult or complex fact patterns that require some thought or calculation. If you find yourself getting lost in the facts or numbers, or stuck on the answer options, such that you start feeling anxious that you are wasting time, take the following steps: guess and register an answer, mark the question with some notation that will tell you it was a guess, and come back to it at the end of the test, after you finished all other questions.
9. **Pace Yourself - Don't Work too Fast; Don't Work too Slow** – Time is a very important element of test taking. Aside from the subject matter, it is the factor that most causes pressure and stress. To obtain a good score, it is important that you have the time to read and answer all of the questions. Tests only allow a certain amount of time per questions. Determine what that time per question is by dividing the time by the number of questions. Pace yourself when taking the test so that you allow yourself enough time to reasonably be able to read and answer all questions. You don't want to work too fast or too slow.
10. **Maintain a Good Attitude during the Test** – It is important to keep your composure during the test. Having a good attitude will allow you to get through the challenging parts of an exam and avoid becoming down or defeatist, which could slow you down or stop you altogether from finishing the exam. Hang in there and have confidence. If you prepare for the exam following the preparation and test taking tips discussed here, you can have confidence that you will succeed.

Answer Bubble Sheet

Fill in the circles (bubbles) completely

Example: (A) (●) (C) (D)




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98. (A) (B) (C) (D)
99. (A) (B) (C) (D)
100. (A) (B) (C) (D)
101. (A) (B) (C) (D)
102. (A) (B) (C) (D)
103. (A) (B) (C) (D)
104. (A) (B) (C) (D)
105. (A) (B) (C) (D)
106. (A) (B) (C) (D)
107. (A) (B) (C) (D)
108. (A) (B) (C) (D)
109. (A) (B) (C) (D)
110. (A) (B) (C) (D)
111. (A) (B) (C) (D)
112. (A) (B) (C) (D)
113. (A) (B) (C) (D)
114. (A) (B) (C) (D)
115. (A) (B) (C) (D)
116. (A) (B) (C) (D)
117. (A) (B) (C) (D)
118. (A) (B) (C) (D)
119. (A) (B) (C) (D)
120. (A) (B) (C) (D)

Tests.com Format Comparison Chart

Features & Benefits	Online Format	PDF Format
New Questions / Updates	YES. With the Online Format, get new question & updates in real time.	NO
Study Mode	YES. Optionally test with instant prompts for incorrect answers & explanations of correct ones.	NO
Section / Topic Selection	YES. Choose whole test or practice by the section.	NO
	YES. Optionally simulate actual test conditions. TestSIM™ is easy and flexible to use.	NO
	YES. With TestNOTES™ , you have option to type notes for any question for instant reinforcement & later review.	NO
	YES. Our Focus Flash Cards™ online study system allows you to customize study by time, section(s) and more. Create/share your own too.	NO
Focus Question Format	YES. Focus on 1 question at a time. Example.	NO
Customize Testing Preferences	YES. Set the number of questions and time limit OR simulate your actual exam. Example.	NO
Instant Scoring & Review	YES. The Online format automatically scores your testing.	NO
Reports / History / Stats	YES. View results and track progress in real time. Example.	NO
Future Testing Needs	YES. Only the online test system format will provide you access your tests and test history from anywhere for life.	NO
Expert Written by Leaders in Test Preparation	YES. Our practice exam kit was written by an expert with strong experience, education and credentials. Our test prep is so good we have a 1% return rate compared to an 8% industry avg. 1 million+ tests served.	YES
Get an Edge	YES. Our materials are a personal assessment tool and study source which compliments other study materials and may give you an edge.	YES
Support to Succeed	YES. Registered Users get service & support to pass the first time. Our authors, peer reviewers, editors and tech support are on your team.	YES
Convenience & Study Features	YES. Only the Online Format system scores, reports and customizes your testing automatically and has bonus flash cards to use, create and share.	NO

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