

Course Fee: \$39 6 hours CE Credit

Address _____ City _____ State _____ ZIP _____

Phone # ()— — — - — — — I began this course on: (date)

(please complete course within 6 months of starting)

—Supplement and Final Exam Answer Grid (8 pages—**you must print these 8 pages from your printer**)
 —“Answers” to the Supplement (2 pages—printing *optional*)
 —Final Examination (8 pages—printing *optional*)
 —Study Manual (39 pages—printing *optional*)

1. You **must** print the Supplement and Final Exam Answer Grid from your computer printer. (8 pages total)
2. Read Chapter #1 of the Course Study Manual.
3. Answer the Chapter #1 Questions contained in the Supplement. Your handwriting must be legible. (Check your answers to the Supplement —see **Course Contents**, above.
4. Locate the Final Examination. Answer the Final Exam questions (usually 10 questions for each chapter of the Study Manual). This is an open-book final exam. Explore the Study Manual to discover the answers to the Final Examination. Place your answers on the Final Exam Answer Grid.
5. Repeat steps 2-4 for each Chapter of the Study Manual
6. Mail the Supplement and Final Exam Answer Grid (8 pages total) plus Course Fee of \$39 to: IA Real Estate Seminars, Box 1523, Waterloo Iowa 50704 Taking several courses? Mail all course Supplements together for grading.

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**Your answers must be original ink
and/or pencil:
no photocopies permitted**

1. True or False? Police power is power in the state to enact laws within constitutional limits to promote the order, safety, health, morals and general welfare of the commonwealth.

write answer here:

2. True or False? Police power gives the legislature arbitrary authority of regulation and permits it to pass laws arbitrarily taking the life, liberty, and property of the citizen.

write answer here:

3. Fill in the blanks: The purpose of legislation is to promote _____, _____, _____, and _____.

4. State three reasons why the opponents of license law lost in their challenge to the constitutionality of those laws.

write answers here:

a. _____

b. _____

c. _____

5. List three states which originally declared license law unconstitutional.
write answers here:

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a. _____ b. _____ c. _____

Case Study

Los Angeles -- A 14-year California real estate instructor has been charged with accepting \$1,500 in bribes to take the state licensing exam for some students--sometimes going as far as dressing in women's clothing or applying Hispanic makeup in an effort to fool proctors at exam sites.

State police have charged David Edward Wick, 47, of Los Angeles with three misdemeanor counts each of bribery, forgery and false impersonation. Officials said the investigation was continuing and felony conspiracy charges could be added.

Wick, a blond-haired Caucasian, was first arrested in April in Santa Ana, California when--allegedly impersonating a Hispanic male--he attempted to take the licensing exam being given there. State police had been tipped off that Wick would attempt to take the test.

Upon arrest, police removed a dark wig from his head. It also was apparent he had used makeup to darken his skin in an attempt to appear Hispanic....

Wick accepted bribes of \$1,500 each to take the test for students who didn't feel they could pass it on their own.

"There are parts of L.A. where you can get a forged driver's license in 15 minutes," Brendia said. "When Wick showed up at the test site, he'd have a driver's license with the right name on it and he'd have the right school certifications, also forged."

What he apparently lacked, however, was the right walk.

Wick literally tripped himself up several months ago when, disguised as a Hispanic woman and wearing high heels, he attempted to take a licensing test in Fresno. Brendia said exam monitors became suspicious when the "woman" had difficulty walking in the high heels. They confronted "her" and demanded she be fingerprinted. By the time the prints were checked, Wick had fled....

6. Concerning the case study above, give a possible violation of license law.
write answer here:

7. Concerning the case study above and question 6, give another possible violation of license law.
write answer here:

Part II questions:

1. Why are the owner's records, representing a property's income, sometimes suspect?
write answer here:

2. A broker may never be held responsible for "misprints" in the newspaper describing properties for sale.

(true/false) *write answer here:* _____

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3. Can a licensee be held responsible for an "honest mistake"? (yes/no)
write answer here: _____

4. When a broker buys the seller's property, which is also listed with the broker, the broker has obligations greater than the normal purchaser. (true/false)

write answer here: _____

5. What precautions should the licensee take when helping the buyer make a loan application? (list two)

write answer here:

6. (fill in the blanks) The agent must inform the principal of the nature of the earnest money deposit. If it is not _____ or an immediately _____ check, the agent must disclose this to the principal.

7. "One of the most subtle pitfalls in the ancient, honorable and useful occupation of real estate is to switch allegiance from one's principal, usually the seller, to the transaction itself." What does this mean?

write answer here:

Part III questions:

1. Why may one's real estate license be revoked for engaging in an activity which does not require a real estate license?

Write answer here: _____

2. How should you present to the seller five (5) offers received at the same time, but from different buyers, on the seller's property?

Write answer here: _____

3. Case study: A group of brokers in Florida banded together to form a corporation advertising as agents to Florida property owners living out-of-state. Telephone and mail advertising promised, that after the payment of a fee, the properties would then be sold to persons within Florida. Such promises were false and made merely to persuade the owners to pay the listing fee to the brokers. Explain how these licensees had breached their duties to their principals.

Write answer here: _____

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4. "To change one's mind after agreement to act in a certain manner is wrong. But to know that one has no intention of completing an agreement when making the agreement is fraud of the highest degree." (True/False)

Write answer here: _____

5. List other professions, such as selling real estate, which may require special training and licensing (and possible revocation of license).

Write answers here: _____

6. What could result should the licensee not deposit the trust funds into the trust account in a timely fashion? (fill in the blanks)

- a. The broker may cause the seller unnecessary _____ in consummating his transaction.
- b. Creditors may _____ upon such funds.
- c. Buyer's funds may be tied up in the broker's _____.
- d. The seller may miss other _____ to sell should the buyer's check not be honored.

7. A broker's reputation is something to be jealously guarded. (True/False)

Write answer here: _____

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Part IV questions:

1. Misrepresentation is permitted as long as it is in the context of "sales talk".
(true/false)

Write answer here: _____

2. Fill in the blanks:

"Omissions to act and a failure to safeguard the interests of the public in the _____ or _____, the negotiation of sales or _____ of _____, the leasing or renting of real estate wherein the premises are known by the registrant to be in violation of ordinances made for the protection of the public in regard to fire, health, sanitation and other hazards shall be deemed _____ or _____."

3. Fill in the blanks:

Acting for more than one party to a transaction without the knowledge of all parties concerned is an _____.

4. Is it wrongful to make promises of a nature likely to influence, persuade or induce?

Write answer here: _____

5. For whose benefit are listing termination dates?

Write answer here: _____

6. A licensee must promote a property in its truest light. List three actions of a licensee which could bring discipline from the state regulatory Board.

Write answers here:

7. when asked about the quantity and exact boundaries of land being sold, the licensee should always suggest the use of:

Write answer here:

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Part V questions:

1. A real estate transaction is in dispute. Without notice to the seller, the broker simply returns the earnest money to the buyer. Has the broker acted properly?

Write answer here: _____

2. What general principles should the broker follow, such as in question #1 above? (list two principles)

Write answers here:

3. If a buyer is unable to fulfill his contingency, may the licensee keep the earnest money for his own use?

Write answer here: _____

4. A broker owes taxes to the IRS. The IRS attempts to levy the customer's money from the broker's trust account. What should the broker do?

Write answers here:

- a. _____
- b. _____
- c. _____

5. What severe disciplinary action may the State regulatory agency take against a licensee who does not act in proper regard to trust funds?

Write answer here: _____

6. Which are permissible uses of the customer's trust account monies? (yes/no)
- a. exotic investments of the broker located in Bora Bora _____
 - b. remodeling projects of the broker in a nearby town _____
 - c. a much needed vacation for the broker in Bermuda _____
 - d. broker's music education for vocal singing and occasional yodeling _____

7. May the material in this course be used in place of competent legal advice? (yes/no)

Write answer here: _____

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Course Evaluation

The Misadventures of C. Tripp Slade Realty

Date: _____

Place a check mark (✓) behind each rating:

Very good Good Average Poor

- 1) The overall rating of this course was:
- 2) The course format was easy to follow:
- 3) The course was comprehensive:
- 4) The course will be helpful to me as a licensee:
- 5) The organization of the course was:
- 6) The printing type size was:
- 7) The degree the advertised course objectives were met:
- 8) The stronger features of the course were:
Comments:

- 9) The weaker features of the course were:
Comments:

Answer Sheet

Instructions: The misAdventures of C. Tripp Slade Realty

#1 Locate the Final Examination. It is just before the Study Manual.

#2 Answer the questions to the final examination. Read the Study Manual to help you answer the Final Examination questions.

#3 Mark your answers to the Final Examination on the Answer Grid below.

You must score 48 questions correct (80%) to pass.

Some questions may have less than four possible answers.

The Final Exam questions may have changed since the last printing of this course.

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	A	B	C	D		A	B	C	D		A	B	C	D
1.	0	0	0	0	21.	0	0	0	0	41.	0	0	0	0
2.	0	0	0	0	22.	0	0	0	0	42.	0	0	0	0
3.	0	0	0	0	23.	0	0	0	0	43.	0	0	0	0
4.	0	0	0	0	24.	0	0	0	0	44.	0	0	0	0
5.	0	0	0	0	25.	0	0	0	0	45.	0	0	0	0
6.	0	0	0	0	26.	0	0	0	0	46.	0	0	0	0
7.	0	0	0	0	27.	0	0	0	0	47.	0	0	0	0
8.	0	0	0	0	28.	0	0	0	0	48.	0	0	0	0
9.	0	0	0	0	29.	0	0	0	0	49.	0	0	0	0
10.	0	0	0	0	30.	0	0	0	0	50.	0	0	0	0
11.	0	0	0	0	31.	0	0	0	0	51.	0	0	0	0
12.	0	0	0	0	32.	0	0	0	0	52.	0	0	0	0
13.	0	0	0	0	33.	0	0	0	0	53.	0	0	0	0
14.	0	0	0	0	34.	0	0	0	0	54.	0	0	0	0
15.	0	0	0	0	35.	0	0	0	0	55.	0	0	0	0
16.	0	0	0	0	36.	0	0	0	0	56.	0	0	0	0
17.	0	0	0	0	37.	0	0	0	0	57.	0	0	0	0
18.	0	0	0	0	38.	0	0	0	0	58.	0	0	0	0
19.	0	0	0	0	39.	0	0	0	0	59.	0	0	0	0
20.	0	0	0	0	40.	0	0	0	0	60.	0	0	0	0

Acknowledgment: I have completed this course and final examination by myself and am solely responsible for all answers found on this supplement and answer sheet.

(Signature and phone number)

Return this Supplement and Final Exam answer grid plus Course Fee of \$39 to:

Iowa Real Estate Seminars
Box 1523, Waterloo, Iowa 50704

Your answers must be original ink
and/or pencil:
no photocopies permitted

Are you completing more than one course? Help us by returning all completed courses together for grading and continuing education certificates. Certificates will be sent to you by First Class Mail. Thank You!

Answers to Questions in Supplement

the misAdventures of C. Tripp Slade Realty

ANSWERS to part I questions:

1. true
2. false
3. order, safety, health, morals, general welfare
4. Real estate agents act in a fiduciary capacity.
Real estate agents are trusted by a large portion of the community.
Real estate agents have special privilege qualification.
5. California, Oklahoma, Kentucky, or North Carolina (three needed)
6. demonstrating unworthiness
7. making a substantial misrepresentation

Some students print this page to help check their answers to the Supplement

ANSWERS to part II questions:

1. Case studies have shown that owners sometimes misrepresent the true income of a property.
2. false
3. Yes--if the licensee has a duty to know the truth.
4. true
5. (must have any two of the following)
 - Precaution #1: the licensee must not misrepresent the buyer's true financial condition.
 - Precaution #2: the licensee must not inflate the buyer's down payment.
 - Precaution #3: the licensee must not misrepresent the terms of sale.
 - Precaution #4: the licensee must not engage in unfair trade practices
6. cash, cashable
7. The broker is now working for the broker.

ANSWERS to part III questions:

1. If such dealings show bad faith and dishonesty, they may accurately predict how this person may act when in a fiduciary relationship.
2. Present all of the offers at the same time and in the order as determined by the seller.
3. The licensees breached their fiduciary duties by lying to their principals.
4. True.
5. Lawyers, physicians, dentists, pharmacists, architects, etc.
6. What could result should the licensee not deposit the trust funds into the trust account in a timely fashion? (fill in the blanks)
 - a. The broker may cause the seller unnecessary delays in consummating his transaction.
 - b. Creditors may levy upon such funds.
 - c. Buyer's funds may be tied up in the broker's probate/estate.
 - d. The seller may miss other opportunities to sell should the buyer's check not be honored.
7. True

(over)

ANSWERS to part IV questions:

1. false
2. buying, selling, exchange, real estate, unworthiness, incompetence
3. undisclosed dual agency
4. not unless the promises are false promises
5. Listing transaction dates are for the benefit of the principal.
6.
 - (a) guessing wrong about the existing condition
 - (b) intentionally "covering up" a known property defect
 - (c) lying about a known property defect
7. a State-licensed, bonded and registered surveyor

Some students print this page to help check their answers to the Supplement

ANSWERS to part V questions:

1. no
2.
 - (a) Wait until a court makes a determination as to the future disbursement of the funds.
 - (b) Rely on remedies provided by State law.
3. No. The money must be held in trust or disbursed according to State law.
4.
 - (a) The broker should attempt to stop the IRS from such levy by explaining such funds are being held in trust for a customer/client.
 - (b) The broker should notify his customers/clients immediately regarding the levy.
 - (c) The broker should consult his lawyer immediately.
5. That person's license may be revoked.
6. no, no, no, no
7. no!

Test Code CTSR 2016

I. Introduction

1. Which is true? (some questions may have less than 4 possible answers)
 - A. Liberty gives license to do as one pleases.
 - B. States have all powers of sovereignty except those exclusively granted to the United States or prohibited by state or federal constitutions.
 - C. The right to legislate does not include the right to place restrictions upon occupations and businesses.
2. A licensee may jeopardize his real estate license by:
 - A. Completely fulfilling all promises as agreed to in his listing contract.
 - B. Guaranteeing to resell his customer's property in the near future for a large profit.
 - C. Rendering his principal the duties of care, obedience, accounting, loyalty and notice.
 - D. Accurately representing a faulty heating system.
3. The term "police power" implies:
 - A. Only the business of detecting crime and criminals.
 - B. Only the legislative power over fire limits, zoning codes, and the like.
 - C. The power of citizens to govern through their representatives.
4. Police power is a form of policy power.
 - A. True. B. False.
5. Those who say that real estate license law is an unreasonable interference with the right of every citizen to engage in a legitimate and useful occupation fail to recognize which of the following?
 - A. Brokers and salesperson are agents and representatives of others.
 - B. Brokers and salesperson act largely in a confidential and fiduciary capacity.
 - C. Both of the above.
 - D. None of the above.
6. Those who say that real estate license law is an unreasonable interference with the right of every citizen to engage in a legitimate and useful occupation fail to recognize which of the following?
 - A. Brokers and salesperson are trusted by a large portion of the community.
 - B. Brokers and salespersons act largely in a confidential and fiduciary capacity.
 - C. Both of the above.
 - D. None of the above.
7. The main reason for states enacting license law is:
 - A. To conform to the federal government's requirements for state real estate laws.
 - B. To simply let the regulatory board "flex its muscles" when it so chooses.
 - C. To promote the well being of licensees in their transactions.
 - D. To prevent harm done to the public by any licensee.
8. The purpose of legislation is:
 - A. To arbitrarily rule the citizens under its authority.
 - B. To only provide regulations on businesses which are not unconstitutional.
 - C. To promote general welfare, morals, health, safety and order within the citizens under its authority.
9. What do the states of California, Michigan and Oregon have in common?
 - A. Their marriage laws; they all have English Common Law as their basis for settling arguments developing from domestic disputes.
 - B. Real estate license law was enacted in each state in 1919.
 - C. Their marriage laws; they all have Spanish law origins for domestic disputes.
 - D. Their tort laws; they all have Napoleonic law as their basis for settling tort law disputes.
10. Reasons for discipline of a real estate licensee include all of the following **except**:
 - A. Fraud in representing a licensee's skills or abilities.
 - B. Making false statements of a nature likely to persuade or induce a prospective buyer to purchase.
 - C. Making true statements of a nature likely to persuade or induce a prospective buyer to purchase.

- D. Representing or attempting to represent a real estate broker other than the licensee's employer, without the express knowledge and consent of the employer.
11. A real estate licensee may have his license suspended or revoked for which of the following?
- A. Demonstrating bad faith in real estate dealings.
 - B. Fraudulent or improper dealings in real estate.
 - C. Dishonest dealings which would have disqualified the licensee from securing a real estate license.
 - D. All of the above are reasons for license suspension or revocation.
- II. Misrepresentation and Substantial Misrepresentation
12. When purchasing income property, which income verification method is most reliable (trustworthy)?
- A. Financial statements completed without audit from records supplied by the owner of the income property.
 - B. Broker-supplied records.
 - C. Owner records.
 - D. Audited financial statements from a certified public accountant.
13. If a prospective purchaser inspects a real property, the broker should:
- A. Assume the buyer covered all facets of the property.
 - B. Serve the buyer professionally by obeying the adage, "you've seen one room, so you've seen them all," and not wasting costly time.
 - C. Reveal all aspects about the property, even negative aspects, the buyer may have overlooked.
 - D. Reveal only positive aspects about the property since "no property is perfect."
14. Can a broker honestly withhold information from the buyer about property zoning?
- A. Yes; it is the buyer's responsibility to research zoning information. The licensee has no responsibility, absolutely "zero" responsibility, to carefully check zoning for all legal uses of the property.
 - B. If the broker has promised to carefully check zoning uses, the broker may Not withhold from the buyer such zoning information.
 - C. Agents are only marketing agents. We agents know a lot about marketing and nothing about zoning. The buyer should hire an attorney to check zoning. Consequently, all agents may withhold adverse zoning information from prospective purchasers of the property.
 - D. Zoning on a property doesn't mean anything!! Let the buyer use the property for whatever they want; agents have no duty to check zoning, do not need to share zoning with the purchaser. . . And that closes the lid on this coffin!!
15. Misrepresentations made by a licensee could include:
- A. "misprints" in the local newspaper describing a property advertised by the licensee.
 - B. Stating that a property may be used for certain purposes Not allowed by either zoning laws or the private deed restrictions contained in the abstract or covenants, conditions or restrictions.
 - C. Both of the above.
 - D. None of the above.
16. The buyer is questioning whether zoning will permit a particular use of the seller's property. The agent responds, "If the sellers have used this property in a certain manner, then certainly you can too!" Which is true?
- A. There may be times when this logic is true. The agent should encourage full investigation into all legal uses of the property.
 - B. This logic is valid and timeless. No discussion here; if the sellers are using the property in a certain way, then, unequivocally the purchasers may do the same.
 - C. Zoning laws have been abolished in every community and on every property in the U.S.A. The buyer may use the property as they well please.
 - D. Zoning laws "sundown" after two years; if the seller has owned the property for at least two years, the zoning falls off and the new purchaser may use the property in any way and for any uses that meet their fancy.

17. The agent speaks to the purchaser: "I suggest that you personally visit with the city zoning department to determine if [a certain use] is permitted. Also check with your lawyer to see if that use is permitted by the private deed restrictions. Your lawyer may also have information regarding the environmental phase studies dealing with hazardous waste; your lawyer will suggest specific contingencies to protect your purchase should certain waste be found on the property." Which of the following is the best answer?

- A. The agent is wasting his breath; just write the offer and let the chips fall where they will.
- B. The chances the purchaser will suffer adverse harm dealing with zoning laws is about as slim as winning the lottery—besides, nobody wins those things anymore!
- C. The agent is a Nerd! The agent is making life just too difficult. Besides, if any adverse action is taken against the agent, blame shift—that's it, just shift the blame to the "he said; she said" argument and go about your business!
- D. Smart Agent!!

18. Which of the following is the best method for verifying investment property income?

- A. Audited financial statement completed by a C.P.A.
- B. Financial statement completed without audit from records supplied by the owner.
- C. Personal review of the owner's books.
- D. Personal review of the licensee's representations of income.

19. When you have a duty to know the truth, it is no valid excuse that you made an honest mistake.

- A. True. B. False.

20. One of the most subtle pitfalls in the ancient, honorable and useful occupation of real estate brokerage is to switch allegiance from one's principal, often the seller, to the transaction itself. What does this mean?

- A. This means that the agent is now working for the bank.
- B. This means that the agent is now working for herself.
- C. This means that the agent has recently be-

come an appraiser.

- D. This means that the agent has recently become a property inspector.

21. When a broker buys the seller's property, which is also listed with the broker, the broker has obligations greater than the normal purchaser. True or False?

- A. This is true; the broker/agent must inform the seller of his status as a licensee.
- B. This is true; the broker/agent must make open disclosure of his position as purchaser.
- C. This is false; the broker may purchase the property indirectly through a straw man.
- D. Both A and B above are true.

22. Because the lender often makes a major monetary contribution toward the transaction the lender can be found in a risky position should the buyer not make loan payments as agreed. Which is False?

- A. If the purchaser submits a large downpayment, the risk to the lender is reduced.
- B. If the agent misrepresents the true value of the purchaser's downpayment, the lender will be in a more precarious position than otherwise thought to be.
- C. To preserve the integrity of the financial institution, the buyer's assets must be honestly represented.
- D. Nowhere in the United States will a licensee be imprisoned for falsifying the purchaser's true assets to a financial institution processing a loan application. Realtors don't go to prison!

23. No principle in the law of agency better settled than the one stating that the agent may not deal in the business of his agency for his own benefit.

- A. True. B. False.

24. A broker receives a postdated check for the purchaser's earnest money, leading the seller to believe the check is immediately cashable. Which of the following are valid objections to the broker's flawed arguments that: 1) a postdated check is still a negotiable instrument and 2) merchants often accept postdated checks?

- A. Some merchants accept postdated checks

- but only when they have confidence in the maker of the check.
- B. The seller and not the broker should determine whether the buyer's reasons for not paying cash are satisfactory.
- C. The seller and not the broker should determine whether the seller should be satisfied that a promissory note be accepted as a payment.
- D. Any of the above.

25. Generally, which of the following are acceptable forms of earnest money?

- A. Post dated checks.
- B. I.O.U.'s written and signed on the back side of a canceled envelope.
- C. Cash and immediately cashable checks.
- D. Cancelled checks used in past transactions.

26. The agent must not coerce buyers into falsely certifying their payments above loan limits to the lending agency. Purchasers must honestly disclose assets and liabilities to the lender.

- A. True. B. False.

27. The best description of the broker's liability to the principal for the actions of his salespersons is:

- A. The broker is rarely responsible for salespersons.
- B. The broker is mostly responsible for salespersons.
- C. The broker is almost never responsible for salespersons.

28. Why may a real estate license be revoked for engaging in an activity which does not require a real estate license?

- A. Because licensees are to be reputable people.
- B. Because licensees are to be honorable people.
- C. Because licensees are to be conscientious people.
- D. Because of all of the above.

29. Is it legal that a broker "step out" of his responsibilities as a licensee and then "step back in" to perform his duties?

- A. No; not when he demonstrates concealment, dishonest dealings, or fraud.
- B. Yes; in fact it is necessary to do so in some instances.

- C. No; however, such action only turns away business and carries no weight in legal matters.
- D. Yes; but in some states the law limits the frequency of such action in a given period of time.

III. Concealment, Dishonest Dealings and Fraud

30. Licensees must exercise honesty and integrity but not in private dealings.

- A. True. B. False.

31. One of the most dangerous misrepresentations a licensee may make regarding a property is the condition of the property title.

- A. True. B. False.

32. Five offers from five buyers have been given to the listing broker from five cooperating brokers in the Board of Realtors. Which course of action should the listing broker pursue?

- A. Only present the offers from the purchasers possessing good credit.
- B. Only present the offers from the purchasers willing to pay full price or above.
- C. Present all five offers to the seller immediately, discussing the pros and cons of each offer, asking the seller what she would like to do about the offers.

33. When selling a property on contract for deed (i.e., installment sale, contract, land contract) to a purchaser, the purchaser could find himself in a very precarious position when:

- A. The seller has recorded an accurate ground water hazard statement.
- B. The seller has a delinquent underlying mortgage loan securing the subject property.
- C. Extended title insurance is covering the property.
- D. The purchaser has secured a survey completed by a state certified licensed surveyor.

34. What pitfalls could the seller encounter when the broker does not present all offers in his possession?

- A. The seller could encounter less profits from the sale than possible.
- B. The seller could encounter less than desir-

able terms of sale than possible.

- C. Both A and B above.
- B. Neither A nor B above.

35. Which is true of a purchaser should her offer not be timely presented?

- A. Once a buyer has made an offer, she is keenly interested in its acceptance. This interest may be frustrated.
- B. She generally stops looking at other properties in the hopes her offer will be accepted.
- C. If a licensee delays unnecessarily, she may miss, among other things, the opportunity to purchase a different property.
- D. All of the above may be true if the purchaser's offer is not presented in a timely manner.

36. Through a complex series of offer presentations and counter-offers, the agent purposefully removed the financing contingency. By removing the contingency the agent removed the purchaser's mechanism for canceling the contract should the septic system not pass inspection. What adverse action could be taken against the purchaser if the septic system failed to pass inspection?

- A. The buyer would be required to purchase the property without the benefit of financing.
- B. The purchaser might lose his earnest money deposit.
- C. The purchaser might have a large judgment placed against him.
- D. All of the above are adverse actions that might be taken against the purchaser.

37. Through a complex series of offer presentations and counter-offers, the agent purposefully removed the financing contingency. By removing the contingency the agent removed the purchaser's mechanism for canceling the contract should the septic system not pass inspection. What adverse action could be taken against the agent for intentionally removing the finance contingency?

- A. The agent may be required to purchase the property.
- B. The agent might receive discipline, including loss of real estate license, from the regulatory agency.
- C. The agent might receive a judgment for

compensatory (actual) damages sustained by the purchaser.

- D. All of the above plus, the agent might receive a judgment for a punitive judgment damages if the agent engaged in fraud.

38. It is wrong for a real estate company to charge a listing fee when:

- A. The listing company fails to procure a ready, willing and able buyer.
- B. When the listing company has no intention to procure a buyer.
- C. When the seller withdraws and no buyer is procured.
- D. When the company finds a buyer and the buyer forfeits his earnest money.

39. Your open house is now over and all prospective purchasers are gone. Which of the following items of personal property are you able to remove without the owner's permission?

- A. The owner's new corvette.
- B. The open house directional signs.
- C. The owner's prescription drugs.
- D. The owner's portable electric fireplace, the owner's cat, the cat's food and the owner's fake Rolex watch resting on the master bedroom dresser.

40. The real estate broker's license to engage in that business is no less important to him or her than a license to practice law or medicine is to a lawyer or doctor. Such license is not only a paper writing that permits the holder to legally engage in the activities described therein, but it is also a proclamation to the world that the person to whom the license is issued has qualified to be chosen as a recognized member of a privileged business or profession. It is a most valuable property right; one to be proud of and to be zealously guarded and protected. It singles out a person as being an honorable citizen in the society of people.

- A. True. B. False.

41. (Regarding case study #17) When the occupation is one wherein those following it act as the agents and representatives of others and in a more or less confidential and fiduciary capacity, it certainly can be fairly said that those pursuing it

should have in a particular degree the qualifications of honesty, truthfulness and good reputation. The occupation of a real estate agent is of just this sort. He acts for others and in a more or less confidential and fiduciary capacity.

A. True. B. False.

42. (Regarding case study #18) The most complete true answer below is:

- A. Earnest money checks should be submitted to the broker immediately.
- B. If an agent accidentally places an earnest money check into her brief case and takes the brief case on a vacation, it does not constitute fraud.
- C. Such human frailty (the inadvertent placing of an earnest money check in a brief case taken on family vacation) in the context of a single incident does not rise to the level of perfidy, incompetence or negligence which would justify discipline by the regulatory agency.
- D. All of the above are true plus don't take your business brief case on vacation!

43. The illegal activity of a licensee for the purpose of personal gain shows a:

- A. Lack of honesty and integrity of character.
- B. Reason for license revocation.
- C. Lack of respect for the business yet cannot justify license revocation.
- D. A and B are correct.

IV. Unworthiness and Incompetence, Bad Faith and Good Faith.

44. An agent privately owns a 63 unit building. Inspections reveal 25 building code violations including peeling paint, broken windows, leaking faucets, vermin infestation and debris, garbage and general neglect to locks and doors. The agent argues that his personally owned building has nothing to do with having a real estate license; a real estate license is not required by persons wanting to purchase real property investments. (Note: this argument has been a hotly debated topic in courts throughout the United States.) In case study #20, the Illinois Department of Registration and Education successfully disciplined a real estate agent reasoning a failure to safeguard the interest of the public in the buying or selling, the

negotiation of sales or exchange of real estate, the leasing or renting of real estate. . . known to be in violation of ordinances made for the protection of the public in regard to fire, health, sanitation. .

. . shall be deemed unworthiness or incompetence.

A. True. B. False.

45. The agent's listing reads: "This agency shall continue 30 days from date hereof and thereafter until three days have elapsed after receipt of written notice from the owner, terminating this agency, sent by registered mail, or delivered in person to said agent." Which of the following is true?

- A. Sounds good; appears to be a definite termination period.
- B. The listing fails to give a specific termination date.
- C. Although the listing termination date is not specific, it's close enough for government purposes.
- D. The listing termination dates falls within that old real estate rule known as "more-or-less."

46. Regulations are made concerning time limits on contracts (expiration dates) in order to protect and benefit the public. When a regulatory code requires a definite end to a contract, a specific date or time period must be set.

- A. Mostly true; sometimes false.
- B. True.
- C. Termination dates are nebulous; no one really knows when the listing is going to expire.
- D. Listings only expire when the broker expires; they are perpetuities.

47. For whose benefit is the listing termination date?

- A. The principal. B. Subagents. C. The broker.

48. Similar to case study #25 and also a true story, the broker is using the seller's listed, but vacant home, to have physical relations (i.e., sex) with prostitutes. The seller complains to the regulatory agency.

- A. This activity of the broker is sanctioned by the broker's religion and consequently a valid use of the seller's property.
- B. This activity demonstrates improper use of

the seller's property.

- C. The broker received written permission from the listing agreement which included a promise from the broker to use diligence in procuring a purchaser. Consequently, this is the highest and best use of the seller's property.
- D. The seller is guilty of condonation (implied forgiveness evidenced by ignoring the offense); since this is a repeat performance by the broker the seller had no right to complain.

49. The broker is using the seller's listed, but vacant home, as a party house; since company sales have exceeded expectation the amenities in this home were perfect for the event. (the inside 42,000 gallon swimming pool was heated to spa temperatures for the event).

- A. This is a wrongful use of the seller's property.
- B. Since no excessive celebrating took place, the event was covered by standard listing clauses.
- C. The broker is in error but only because of the elevated temperature of the pool.
- D. The seller was invited to the party but the invitation was delivered to the wrong location; the party is a valid use of the seller's vacant property.

50. A broker decides to purchase a property the seller has listed with the broker. Which is true?

- A. The broker now becomes like any other buyer and his listing is cancelled.
- B. The broker is under an obligation Greater than that normally upon a buyer as he still stands in a fiduciary relationship with the sellers.
- C. Both A and B above.
- D. None of the above.

51. What is "A-1" condition?

- A. A property with a leaking roof.
- B. A description indicating some flaws in the property.
- C. Paint-pummeled leaks and water mark cover-ups.
- D. A dangerous way to describe any property and potentially lethal to one's real estate license.

52. Which is best when describing a quantity of land?

- A. Recommend the buyer utilize the services of a state registered surveyor.

- B. Recommend the buyer utilize the estimate of land given by the seller.
- C. Recommend the buyer utilize the estimate of land given by the ASCS (Agricultural Stabilization and Conservation Service, now merged into Farm Services Agency) office.
- D. Recommend the buyer use the estimate of land given by the county auditor's office.

53. Which is/are true?

- A. Safeguarding the interests of the public is the major ingredient in worthiness or competency as a real estate licensee.
- B. Actions taken without regard to the public interest prove unworthiness or incompetence.
- C. Bad faith includes deceit or duplicity. Good faith involves honesty. Representing properties fairly is demonstrating good faith.
- D. All of the above appear to be true.

V. Earnest Money, Downpayments and Trust Accounts.

54. Misusing funds entrusted to the licensee by his client could cause great danger to parties in a real estate transaction.

- A. True. B. False.

55. A real estate transaction is in dispute between the buyer and seller or the landlord and tenant. Without notice to one party, the broker simply returns the disputed funds to the other party. Has the broker acted properly?

- A. Yes; obviously the purchaser/tenant has changed their mind and decided in favor of other property. The broker's speedy action will allow faster marketing of the property to another party. Three cheers for the broker!
- B. Yes; what else could the broker have done?
- C. No. At a minimum, the broker must notify all parties to the dispute and allow time for each to file a court action or arbitration.
- D. Sure! The broker handled the dispute the way all arbitrators do.

56. If a buyer is unable to fulfill his contingencies, may the licensee keep the earnest money for his own use?

- A. No. Certain steps must be completed in the above situation.

- B. No, not immediately. In the future? Absolutely.
- C. No, not for just any use. It must be a valid use such as taking a well deserved vacation.
- D. Yes.

A. Yes. B. No.

57. The IRS is attempting to levy on your customer's trust funds to pay your delinquent federal taxes. What would be the safest course of action?

- A. Let the IRS have the money.
- B. Abscond with the trust funds.
- C. Convert the trust funds to your personal checking account. This transfer of funds can be accomplished without the buyer's or seller's permission. Once transferred, the funds will be protected against all creditors, including the IRS.
- D. Make efforts to prevent the trust funds from being taken (i.e., explain whose monies are in your trust account; immediately secure a lawyer; notify the purchaser of the action by the IRS).

58. The purchasers' monies were wrongfully deposited within the broker's business account and used to remodel the office (case study #31). Later the broker received after-the-fact-consent from each purchaser.

- A. Sounds good; congratulations to the broker for getting their consent but he really didn't need it at all.
- B. The purchasers' monies were placed in harm's way.
- C. As long as the broker was using these funds for a worthy purpose (e.g., car payment, flowers for girlfriend, exotic vacation) the broker was within legal bounds of what he did and with plenty of room to spare.
- D. Okay but only if he doesn't do this more than five (5) times. More than five is excessive and requires a hand slapping or similar discipline.

59. Does the Iowa Real Estate Commission agree with all of the conclusions found in this course?

- A. Yes. B. Not necessarily.

60 Should the materials presented in this program be substituted for competent legal advice?