

Chapter 4 Questions

Agency

1. A real estate broker's responsibility to keep the principal informed of all of the facts that could affect a transaction is the duty of
 - a. care.
 - b. disclosure.
 - c. obedience.
 - d. accounting.

2. Which of the following would be considered dual agency?
 - a. A broker's acting for both the buyer and the seller in the same transaction
 - b. Two brokerage companies' cooperating with each other
 - c. A broker's representing more than one principal
 - d. A broker's listing and then selling the same property

3. The relationship of a broker to his or her client is that of a(n)
 - a. trustee.
 - b. subagent.
 - c. fiduciary.
 - d. attorney in fact.

4. A real estate broker acting as the agent of the seller
 - a. must promote and safeguard the seller's best interest
 - b. can disclose the seller's minimum price.
 - c. should present to the seller only the highest offer for the property.
 - d. can accept an offer on behalf of the seller.

5. In designated agency all of the following apply EXCEPT
 - a. the broker could be a dual agent
 - b. the same agent may represent both the buyer and the seller at the same time
 - c. the broker can choose an agent in the office to represent the seller
 - d. the broker may appoint an agent to negotiate for the buyer

6. A broker is permitted to represent both the seller and the buyer in the same transaction when
 - a. the principals are not aware of such action.
 - b. the broker is a subagent rather than the agent of the seller.
 - c. commissions are collected from both parties.
 - d. both parties have been informed and agree to the dual representation.

7. Which of the following would be considered lawful practice in real estate brokerage?
 - a. Deceitful or dishonest practices
 - b. Exaggerated statements about the property
 - c. Omitted statements of material fact
 - d. Misstatements about the property

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

9. A seller has listed her home with a broker for \$190,000. The listing broker tells a prospective buyer to submit a low offer because the seller is desperate to sell. The buyer offers \$185,000 and the seller accepts it. In this situation,
 - a. the broker has violated his agency relationship with the seller.
 - b. the broker was unethical, but the seller did get to sell her property.
 - c. the broker acted properly to obtain a quick offer on the property.
 - d. any broker is authorized to encourage such bids for the property.

10. When Broker Hearn was told by his principal not to advertise her property in a certain newspaper, which was out of the area, Hearn complied because he
 - a. had never advertised in that newspaper anyway.
 - b. must obey the lawful instructions of his principal.
 - c. was NOT intending to advertise the property at all.
 - d. is allowed to advertise only in local newspapers.

11. It is the duty of an agent to disclose to the principal every material step taken in the transaction of the principal's business. This is because the
 - a. commission can be adjusted up or down according to the agent's efforts.
 - b. agent has fiduciary obligations to the principal.
 - c. terms of the listing contract require the agent to do so.
 - d. terms of the purchase contract require the agent to do so.

12. Upon discovering a latent defect in a property, the Broker Alice should discuss the problem with seller Juan and then
 - a. tell him that the defect must be repaired.
 - b. arrange for the repairs herself.
 - c. inform any prospective buyers of the defect.
 - d. contact the city building inspector about the defect.

13. The type of agency practiced in which there is only ever one client is
 - a. designated agency
 - b. disclosed dual agency
 - c. exclusive buyer agency
 - d. single agency

14. A salesperson who is employed by a broker told a prospective buyer that the house she was looking at is "the best house in the area." Because of this statement,
 - a. the salesperson was guilty of fraud.
 - b. the broker was guilty of fraud because the employing broker is responsible for the actions of the sales person.
 - c. the salesperson was practicing puffing.
 - d. the salesperson would be guilty of fraud only if the buyer purchased the house.

15. Which of the following best defines the *law of agency*?
 - a. The selling of another's property by a properly licensed brokerage company
 - b. The rules of law that apply to the responsibilities of a person who acts as agent for another
 - c. The principles that govern one's conduct in business
 - d. The rules and regulations of the state's licensing agency

16. A broker who is the agent of the buyer should do which of the following?
- Disclose to the seller that the buyer is a minority person
 - Disclose to the seller the maximum price the buyer is willing to pay
 - Present to the seller only offers that are acceptable
 - Advise the buyer if the listing price of the seller's house is unrealistic
17. A salesperson sells buyer Fred property listed by another brokerage firm in the Multiple Listing System. The salesperson has been working with Fred for many months but does not have an agency contract with him. This salesperson has fiduciary obligations to
- the seller.
 - the buyer.
 - no one.
 - the public.
18. Broker Joan shows properties listed for sale with her company to prospect Karl. Karl has refused buyer representation. Karl is Joan's
- client.
 - principal.
 - customer.
 - fiduciary.
19. Mr. Mole's house has been listed for sale for more than one year and he is very anxious to move into a retirement community. Salesperson Rachel, who is a subagent of the seller, tells a prospective buyer to make a low offer because she is sure that the seller will accept it. Regarding Rachel's conduct, all of the following would be true Except?
- She acted appropriately to get the seller's property sold.
 - She violated her fiduciary duty to Mr. Mole.
 - Her conduct implies she is representing the buyer.
 - She should not assume that an anxious seller will accept a lower offer.

20. A salesperson who represents the seller is showing a house to a prospective buyer-customer. The salesperson knows that the house has water problems in its basement. Which of the following is true?
- Withholding the information properly protects the confidence of the seller.
 - Disclosing the information could create a fiduciary relationship with the buyer.
 - Withholding the information prevents the buyer from making an informed decision.
 - Disclosing the information violates the salesperson's fiduciary duty to the seller.
21. Broker Sven, in the course of selling a home to customer Nancy, told her that the foundation was "solid as a rock" when he knew for a fact that it was slowly sinking into the landfill on which it was built. Now that the sale is settled, which of the following is *LEAST LIKELY* to happen to Sven?
- Revocation of his license for failure to disclose a material fact
 - Successful defense against all charges based on loyalty to his client-seller
 - Being charged with intentional misrepresentation
 - Suit to recover money damages experienced by Nancy due to basement leakage
22. Broker LaRue's newest salesperson, Shandra, lists a unit in a condominium building for sale. In this transaction Shandra
- has a direct contractual relationship with the owners of the unit.
 - acts on behalf of LaRue, her broker.
 - acts on behalf of the condominium association.
 - must personally find a buyer for the unit to obtain a share of the commission.
23. A broker who represents a seller under an exclusive-agency listing receives two offers for the property at the same time, one from one of his salespeople and one from the salesperson of a cooperating broker. What should the broker do?
- Submit the offer from his salesperson first
 - Submit the offer from the other salesperson first
 - Submit the higher offer first
 - Submit both offers at the same time

24. Two salespeople working for the same broker obtained offers on a property listed with their firm. The first offer was obtained early in the day. A second offer for a higher purchase price was obtained later in the afternoon. The broker presented the first offer to the seller that evening. The broker did not inform the seller about the second offer so that the seller could make an informed decision about the first offer. Which of the following is true?
- The broker's actions are permissible provided the commission is split between the two salespeople.
 - After the first offer was received the broker should have told the salespeople that no additional offers would be accepted until the seller decided on the offer.
 - The broker has no authority to withhold any offers from the seller.
 - The broker was smart to protect the seller from getting into a negotiating battle over two offers.
25. A broker has an exclusive-right-to-sell listing on a building. The owner is out of town when the broker gets an offer from a buyer to purchase the building providing the seller agrees to take a purchase money mortgage. The buyer must have a commitment from the seller before the seller is scheduled to return to the city. Under these circumstances the
- broker may enter into a binding agreement on behalf of the seller.
 - broker may collect a commission even if the transaction falls through because of the seller's absence from the city.
 - the buyer is obligated to keep the offer open until the seller returns.
 - the broker must obtain the signature of the seller to effect a contract.
26. A property manager is hired to manage a property while the owner is overseas for two years. The property manager is a (n)
- general agent
 - special agent
 - universal agent
 - attorney-in-fact
27. Broker Smith is helping a buyer and seller fill out a sales contract, but is not representing either party. Broker Smith is a(n)
- transactional broker
 - designated broker
 - traditional broker
 - unlicensed broker