

Chapter 4

Answer Key

1. b. It is the agent's duty to keep the principal informed of all facts or information that could affect a transaction. (49)
2. a. In dual agency the agent represents two principals in the same transaction. Because the agency originates with the broker, **dual** agency arises when the broker is the agent of the buyer *and* either the agent or subagent of the seller. (54)
3. c. The client is the principal to whom the agent gives advice and counsel. The agency agreement usually authorizes the broker to act for the principal. The agent's fiduciary relationship of trust and confidence with the principal means that the broker owes the principal certain specific duties. (46)
4. a. A broker acting as the agent of the seller is responsible to the seller, and must promote and safeguard the seller's best interest. (47)
5. b. When a broker authorizes an agent to act as the agent of a specific principal, then that designated agent cannot represent both parties, or this would be dual agency. (52, 56)
6. d. Real estate licensing laws may permit dual agency only if the buyer and seller are *informed* and *consent* to the broker's representation of both in the same transaction. (55)
7. b. Puffing is legal exaggeration of a property's benefits. (59)
8. b. If the agent represents the seller, care and skill should be used to market the property to secure a buyer. (48)
9. a. When the principal is the seller, the agent may not reveal such things as the principal's willingness to accept less than the list price or his or her anxiousness to sell unless the principal has authorized the disclosure. (50)
10. b. The fiduciary relationship obligates the agent to act in good faith at all times, obeying the principal's instructions in accordance with the contract. (49)
11. b. It is the agent's duty to keep the principal informed of all facts or Information that could affect a transaction. (46)

12. c. A seller's agent is also expected to disclose information about material defects in the property to prospective buyers. (49)
13. d. In single agency, the agent represents only one party in any single transaction. (52)
14. c. Exaggeration of a property's benefits is called puffing. (59)
15. b. In the law of agency an agent is a person authorized to act on behalf of another. (43)
16. d. As part of the fiduciary duties owed a principal, an agent for the buyer should disclose to the buyer if the property is overpriced. (50)
17. a. A buyer can easily assume that when he or she contacts a salesperson to show the buyer property, the salesperson becomes his or her agent, even though, under a listing contract, the salesperson may legally represent the seller. (46)
18. c. The third party or non-represented consumer for whom some level of service is provided is a customer and is entitled to fairness and honesty. (46)
19. a. A subagent owes the same fiduciary duties to a principal as an agent and may not compromise a seller's position. (46)
20. c. The duty of disclosure includes relevant information or material facts that the agent knows or should have known, regardless of whether those facts are favorable or unfavorable to the principal's position. (49)
21. b. The duty of disclosure includes relevant information or material facts that the agent knows or should have known, regardless of whether those facts are favorable or unfavorable to the principal's position. (49)
22. b. The relationship of a salesperson or an associate broker to the employing broker is also an agency (relationship). These licensees are thus agents of the broker. (45)
23. d. An agent for the seller has a duty to disclose all offers, unless directed by the seller to not present an offer after one has been accepted. (49)

- 24. c. It is the agent's (broker's) duty to keep the principal informed of all facts or information that could affect a transaction. An agent for the seller has a duty to disclose all offers. (49)
- 25. d. A real estate broker is usually a special agent. If hired by the seller, the broker is limited to finding a ready, willing, and able buyer for the property. As a special agent, the broker may NOT bind the principal to any contract. (52)
- 26. a. A property manager usually represents the principal in a broad range of matters, and is usually considered a general agent. (52)
- 27. a. In transactional brokerage, a broker facilitates the transaction between a buyer and a seller, but does not represent either party and cannot negotiate for either party. A transactional broker must be licensed. (57)