

SAMPLE DRE TEST

DRE QUESTIONS

1. Judgment liens differ from mechanics' liens in that:
 - (a) mechanics' liens are created by statute
 - (b) mechanics' liens could take priority earlier than the date they are recorded
 - (c) judgment liens are voluntary liens
 - (d) judgment liens are not enforceable until recorded

2. Tax delinquent real property not redeemed by the owner during the five-year statutory redemption period is deeded to the:
 - (a) city
 - (b) county
 - (c) state
 - (d) school district

3. The maximum commission a broker may charge a seller for the sale of residential income property is:
 - (a) set forth in the Real Estate Law
 - (b) negotiable
 - (c) no more than 10 percent of the total sales price
 - (d) determined by local custom

4. In a typical percentage lease, rent is calculated as a percentage of:
 - (a) assets of the lessee's business
 - (b) net sales of the lessee's business
 - (c) gross sales of the lessee's business
 - (d) net taxable income of the lessee's business

5. The position of trust assumed by the broker as an agent for a principal is described most accurately as:
 - (a) a gratuitous relationship
 - (b) a trustor relationship

- (c) a fiduciary relationship
- (d) an employment relationship

6. The Federal Housing Administration's role in financing the purchase of real property is to:

- (a) act as the lender of funds
- (b) insure loans made by approved lenders
- (c) purchase specific trust deeds
- (d) do all of the above

7. Which of the following best defines "encumbrance"?

- (a) The degree, quantity, nature, and extent of interest which a person has in real property
- (b) The use of property by a debtor as security for a debt
- (c) Any action taken relative to real property other than acquiring title
- (d) Anything which affects or limits the title to real property

8. Which item would an appraiser use to arrive at a net income for capitalization purposes?

- (a) cost of loans against the property
- (b) allowance for rent loss and vacancies
- (c) federal income tax
- (d) reserve for appreciation of buildings

9. A clause in a trust deed stating that the rights of the beneficiary shall be secondary to a subsequent trust deed is called:

- (a) an acceleration clause
- (b) an alienation clause
- (c) a subdivision clause
- (d) a subordination clause

10. Private restrictions on the use of land may be created by:

- (a) private land use controls
- (b) written agreement
- (c) general plan restrictions in subdivisions
- (d) all of the above

- 11.** A listing agreement must contain the elements of a contract, which includes:
- (a) competent parties
 - (b) unlawful object
 - (c) unspecified consideration
 - (d) being notarized by a notary public
- 12.** A quitclaim deed conveys only the present right, title and interest of the:
- (a) grantor
 - (b) servient tenement
 - (c) grantee
 - (d) property
- 13.** If a \$218,400 investment in real estate generates gross annual earnings of 15%, the gross monthly return most nearly is:
- (a) \$3,276
 - (b) \$2,820
 - (c) \$2,740
 - (d) \$2,548
- 14.** You are a California real estate broker. A prospect is referred to you by an out-of-state broker and you consummate a sale. You want to split your commission with the cooperating broker. Under the California Real Estate Law:
- (a) you may pay a commission to a broker of another state
 - (b) you cannot divide a commission with a broker of another state
 - (c) you can pay a commission to a broker of another state only if he is also licensed in California
 - (d) none of the above
- 15.** Edison sold his land with an easement appurtenant for a road. The deed to the buyer contained an adequate description of the land, but it failed to make reference to the easement. The buyer:
- (a) takes title to landlocked property
 - (b) has a clouded title
 - (c) forfeits the easement to the servient tenement
 - (d) has the same right to the easement as the seller did

16. If the broker, while acting as agent in a sale of real property, misrepresents the principal's property to a buyer, the broker may cause the principal to be subjected to:

- (a) rescission of the sale by the buyer
- (b) a court action for damages by the buyer
- (c) tort liability
- (d) any of the above

17. An instrument which usually transfers possession of real property but does not transfer ownership is:

- (a) a trust deed
- (b) a sublease
- (c) a security agreement
- (d) an easement grant

18. As a matter of practice, the escrow holder is authorized to:

- (a) order the termite inspection and authorize any corrective repairs to be made
- (b) advise buyers on best financing available in the marketplace
- (c) amend the commission instruction form at the request of the listing broker
- (d) call for funding of buyer's loan proceeds

19. Community property is property owned by:

- (a) churches
- (b) husband and wife
- (c) the municipality
- (d) the community

20. An apartment complex cost \$1,800,000. It brings in a net income of \$12,000 per month. The owner is making what percentage of return on the investment?

- (a) 7%
- (b) 8%
- (c) 11%
- (d) none of the above

21. A person holding title to real property in severalty would most likely have:

- (a) a life estate

- (b) an estate for years
- (c) ownership in common with others
- (d) sole ownership

22. Under the Federal Truth-in-Lending Law, two of the most critical facts that must be disclosed to buyers or borrowers are:

- (a) duration of the contract and discount rate
- (b) finance charge and annual percentage rate
- (c) carrying charge and advertising expense
- (d) installment payments and cancellation rights

23. Appraisals of single-family dwellings are usually based on:

- (a) capitalization of rental value
- (b) asking prices of comparable houses
- (c) sales prices of comparable properties
- (d) the assessed valuations

24. A contract based on an illegal consideration is:

- (a) valid
- (b) void
- (c) legal
- (d) enforceable

25. The California “standard form” policy of title insurance on real property insures against loss occasioned by:

- (a) a forgery in the chain of recorded title
- (b) liens or encumbrances not disclosed by official records
- (c) rights of parties in possession of the property
- (d) actions of governmental agencies regulating the use or occupancy of the property

26. A broker acting in a fiduciary capacity representing a client in dealings with third persons in selling, buying from or exchanging real property is said to be bound by the laws of:

- (a) limitations
- (b) trusteeship

- (c) agency
- (d) power of attorney

27. All persons are protected by the 1968 Federal Fair Housing Act and have a right to bring suit when:

- (a) acts of discrimination deny them the opportunity to have neighbors who are members of minority groups
- (b) they are evicted by a landlord for having minority guests in their home
- (c) acts of discrimination caused their loan for purchase of a residence to be denied
- (d) any of the above occurs

28. The chief distinguishing characteristic of real estate, when compared to personal property, is that it:

- (a) depreciates over time
- (b) is a capital asset
- (c) can be held in severalty or tenancy in common
- (d) is immovable

29. Copies of all listings, deposit receipts, canceled checks, and trust records must be retained by a licensed real estate broker for:

- (a) one year
- (b) two years
- (c) three years
- (d) five years

30. If a contingency is put into a contract, it is important to be specific about the:

- (a) nature of the contingency
- (b) duration of the contingency
- (c) method by which the contingency will be removed
- (d) all of the above

31. When a loan is fully amortized by equal monthly payments of principal and interest, the amount applied to principal:

- (a) and interest remains constant
- (b) decreases while the interest payment increases

- (c) increases while the interest payment decreases
- (d) increases by a constant amount

32. Joint ownership of real property by two or more persons, each of whom has an undivided interest (not necessarily equal) without right of survivorship, is:

- (a) a tenancy in partnership
- (b) a tenancy by the entirety
- (c) a tenancy in common
- (d) a leasehold tenancy

33. A “loss in value from any cause” is a common definition of:

- (a) economic obsolescence
- (b) depreciation
- (c) principle of contribution
- (d) adverse leverage

34. Which of the following is a lien?

- (a) an easement
- (b) a zoning restriction
- (c) an attachment
- (d) all of the above are liens

35. Of the following, which is the most important reason for a broker to maintain a trust fund account in addition to a regular business account?

- (a) to provide a means of control over the destiny of transactions being negotiated
- (b) it is easier from an accounting point of view
- (c) the bank is responsible for any loss to the trust fund account resulting from embezzlement
- (d) the consequence which could occur should legal action be taken against the broker

36. If an appraiser finds that the fair rent for a vacant parcel of land is \$1,400 per month and the interest rate is 11%, what is the approximate indicated land value?

- (a) \$109,090
- (b) \$138,560

- (c) \$184,800
- (d) \$210,000

37. Economic obsolescence could result from each of the following, except:

- (a) new zoning laws
- (b) a city's leading industry moving out
- (c) misplacement of improvements
- (d) an outdated kitchen

38. As a real estate broker, you negotiate the sale of a residence. The building appears to be sound and therefore no termite inspection is ordered. However, before the escrow closes, you discover what you consider to be evidence of termite infestation in a closet. Under these circumstances, you should promptly disclose this information to:

- (a) no one
- (b) first and only to the seller
- (c) both buyer and seller
- (d) the Structural Pest Control Board

39. A subordination clause in a trust deed may:

- (a) permit the obligation to be paid off ahead of schedule
- (b) prohibit the trustor from making an additional loan against the property
- (c) allow for periodic renegotiation and adjustment in the terms of the obligation
- (d) give priority to liens subsequently recorded against the property

40. Which of the following factors is least important in the appraisal of an old single-family residence?

- (a) The purpose of the appraisal
- (b) Adaptability of the building to the site
- (c) Physical condition of the building
- (d) Original cost of the construction

41. A balloon loan is most nearly:

- (a) a fully amortized loan
- (b) a partially amortized loan

- (c) a self-liquidating loan
- (d) a standing loan

42. A contractor obtained a construction loan, and the loan funds are to be released in a series of progress payments. Most lenders disburse the last payment when the:

- (a) building is completed
- (b) notice of completion is filed
- (c) buyer approves the construction
- (d) period to file a lien has expired

43. A grant deed is recorded in the county where the:

- (a) escrow and title company's place of business is
- (b) seller permanently resides
- (c) buyer permanently resides
- (d) property is situated

44. Brown purchased a \$14,000 note secured by a second mortgage for investment purposes. The seller allowed a 15% discount. The note provided for monthly payments of \$1,220 including interest at 9% per annum over a one-year term.

Brown received full payment on the above terms. The yield on Brown's investment, expressed as a percentage, is:

- (a) 23%
- (b) 31%
- (c) 34%
- (d) 40%

45. The covenant of quiet enjoyment most directly relates to:

- (a) nuisances maintained on adjoining property
- (b) possession of real property
- (c) title to real property
- (d) all of the above

46. An interest in real property may be acquired by either prescription or by adverse possession. The interest resulting from prescription is:

- (a) the right to use another's land
- (b) a possessory title

- (c) an equitable interest
- (d) a private grant

47. Generally, the taking of private land by governmental bodies for public use is governed by due process of law and is accomplished through:

- (a) exercise of the police power
- (b) eminent domain
- (c) reverter
- (d) escheat

48. Governmental land use planning and zoning are important examples of:

- (a) exercise of eminent domain
- (b) use of police power
- (c) deed restrictions
- (d) encumbrances

49. Most contracts between a seller and broker for the purpose of selling real estate are in the form of:

- (a) a general power of attorney
- (b) a novation
- (c) a written agreement
- (d) an assignment

50. In arriving at an effective gross income figure, an appraiser of rental property makes a deduction for:

- (a) real property taxes
- (b) repairs
- (c) vacancy
- (d) depreciation

Question 1 (Agency)

A salesperson agrees to represent a prospective buyer in the search for a home. The buyer subsequently decides to rent a home instead of buying. If the salesperson is

also representing another buyer/client who wants to see some of the homes that were shown to the previous buyer/client, the salesperson:

- A. Can show them the homes without regard to the previous buyer/client
- B. Cannot show them the homes without the permission of the previous buyer/client
- C. Can show them the homes, but only as a disclosed dual agent
- D. Cannot show them the homes unless the sellers are informed of the conflict of interest

Question 2 (Agency)

When a salesperson takes a listing on a property on behalf of the broker, the seller is typically termed the:

- A. Customer
- B. Subagent
- C. Principal
- D. Agent

Question 3 (Agency)

A salesperson has a listing on a property. The salesperson is going to show that property to a buyer/customer. The salesperson must disclose:

- A. The dual agency to both parties
- B. To the buyer that the agent represents the seller
- C. To the seller that the agent represents the buyer
- D. That the agent will act as a facilitator

Question 4 (Agency)

A listing agent knows of a defect in the listed property. When the listing agent becomes ill, another agent in the same company takes over the listing. The second agent:

- A. Is not responsible for disclosing the defect unless the agent had actual knowledge
- B. Must disclose the defect only if asked
- C. Is relieved of any liability based on the fiduciary responsibility to the seller
- D. By law has the same responsibility regarding the defect as the listing agent whether or not the listing agent disclosed it

Question 5 (Agency)

A salesperson has a listing on a property. The seller has several mortgages on the property, all of which are delinquent, as well as an IRS tax lien. When a prospective purchaser makes an offer, the seller insists on the earnest money deposit check being paid to the seller rather than deposited in the broker's trust account. The salesperson has a duty to:

- A. Write a counteroffer per the seller's instructions
- B. Inform the buyer of the seller's mortgage default
- C. Cancel the listing
- D. Observe the fiduciary responsibility of confidentiality to the buyer

Question 6 (Agency)

A salesperson has an exclusive right-to-sell listing on a residential property. One offer has already been received but not yet presented when another offer is submitted by a different purchaser. The salesperson's duty regarding the multiple offers is:

- A. With the seller's permission, disclose the existence of the multiple offers to the buyers
- B. Present the first offer first, then the second if the first was not accepted

- C. Present the offers together, but only in the order received
- D. Tell the second buyer of the first, regardless of the wishes of the seller

Question 7 (Agency)

An agent knew a large sum of money was hidden by his client in the client's house. After the client passes away, the agent tells the widow about the money. This:

- A. Is okay, because the agency contract ends with the death of the client
 - B. Is not okay, because confidentiality lasts forever
 - C. Is okay, because the wife will get the money anyway
 - D. Is not okay, because of the Statute of Descent and Distribution
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Question 8 (Agency)

You are showing a property and discover a significant crack in the foundation, which is covered up by boxes. What should you do?

- A. Tell your broker
 - B. Tell the buyer
 - C. Instruct the seller to tell the buyer
 - D. Have the seller correct the seller Transfer Disclosure Statement
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Question 9 (Agency)

According to California law, the buyer in a real estate transaction is represented by:

- A. No one
 - B. The broker
 - C. The broker and the salesperson
 - D. All licensees within the company
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Question 10 (Agency)

The position of trust assumed by the broker as an agent for a principal is described most accurately as:

- A. A gratuitous relationship
 - B. A trustor relationship
 - C. An employment relationship
 - D. A fiduciary relationship
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Question 11 (Agency)

Most contracts between a seller and broker for the purpose of selling real estate are in the form of a:

- A. General power of attorney
 - B. Novation
 - C. Written agreement
 - D. Assignment
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Question 12 (Agency)

If an agent has fiduciary duties to the client, what duties does the client have to an agent?

- A. Compensation, indemnification, and performance
 - B. Cooperation, confidentiality, and correction
 - C. Honesty, disclosure, and insurance
 - D. Information, independence, and inspection
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Question 13 (Agency)

Seller and broker enter into a listing agreement. The type of agency established is:

- A. Universal agent
 - B. Special agent
 - C. General agent
 - D. Dual agent
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Question 14 (Agency)

The salesperson is what type of agent to their employing broker and is established by?

- A. General agent by the employment contract
 - B. Specific agent by the employment contract
 - C. General agent when they represent the seller
 - D. Specific agent when they represent the seller
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Question 15 (Agency)

What is not one of the elements of the agency disclosure process?

- A. Disclose
 - B. Elect
 - C. Confirm
 - D. Commission
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APPRAISAL – Multiple Choice Questions

Question 16 (Appraisal Basics)

Market price is the:

- A. True market value
- B. Best price bid at public sale

- C. Price asked for the property in an open market
- D. Amount, in terms of money, paid for the property