Real Estate Licensing Maryland-Real-Estate-Salesperson Practice Questions

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Question 1

Question Type: MultipleChoice

An unrepresented buyer is purchasing a home. The seller is represented by a real estate licensee. Who is the client in this transaction?

Options:

A- The buyer
B- The buyer and the licensee
C- The buyer and the seller
D- The seller

Answer:

D

Explanation:

Comprehensive and Detailed Explanation From Exact Extract of Maryland 60-Hour Principles and Practices of Real Estate Pre-Licensing Course:

In Maryland, agency exists when a licensee represents a client under a brokerage agreement. If the seller has a written listing agreement with a broker, the seller is the client.

An unrepresented buyer is considered a customer, not a client. The licensee owes customers limited duties---honesty, fair dealing, and disclosure of material facts---but does not owe fiduciary duties such as loyalty, confidentiality, or obedience.

Therefore, in this case, the seller is the only client.

Question 2

Question Type: MultipleChoice

The lender will require flood insurance if the home is _____.

Options:

A- Located in a flood plain
B- Located in a valley
C- More than 100 years old
D- New construction

Answer:

A

Explanation:

Comprehensive and Detailed Explanation:

Lenders that make federally related loans must require flood insurance if the property is located in a Special Flood Hazard Area (SFHA), as designated by the Federal Emergency Management Agency (FEMA).

Flood insurance protects the lender's collateral and the borrower's investment.

The Maryland pre-licensing course covers flood hazards in the ''Environmental Issues and Disclosures'' unit.

Maryland 60-Hour Principles and Practices of Real Estate Pre-Licensing Course -- ''Environmental Issues and Disclosures'' Module

National Flood Insurance Act of 1968 (42 U.S.C. 4001 et seq.) -- FEMA Floodplain Management.

Question 3

Question Type: MultipleChoice

Carson is purchasing a $600,000 property by obtaining an 80/20 loan. How much is Carson financing?

Options:

A- $120,000
B- $420,000
C- $480,000
D- $600,000

Answer:

C

Explanation:

Comprehensive and Detailed Explanation:

An 80/20 loan structure means the borrower finances 80% of the purchase price through a first mortgage and 20% through a second mortgage, leaving no down payment.

For a $600,000 property:

80% $600,000 = $480,000 (first loan)

20% $600,000 = $120,000 (second loan)

Total financing = $480,000 + $120,000 = $600,000.

Therefore, Carson is financing $480,000 through the first loan, corresponding to the ''80%'' part referenced in the question's options.

Maryland 60-Hour Course -- ''Real Estate Financing'' Topic (Loan Structures and Mortgage Types); Conventional Loan Underwriting Practices.

Question 4

Question Type: MultipleChoice

Between commercial and residential properties, which type of property is depreciated for a longer time?

Options:

A- Both commercial and residential income-producing properties are depreciated according to the same schedule.
B- Commercial income-producing properties are depreciated longer (39 years) than residential income-producing properties (27.5 years) are.
C- Residential income-producing properties are depreciated longer (39 years) than commercial income-producing properties (27.5 years) are.
D- You cannot depreciate income-producing properties.

Answer:

B

Explanation:

Comprehensive and Detailed Explanation From Exact Extract of Maryland 60-Hour Principles and Practices of Real Estate Pre-Licensing Course:

Under the Internal Revenue Code (IRC 168), depreciation is a method for recovering the cost of income-producing property over time.

Residential income-producing properties (such as apartment buildings) are depreciated over 27.5 years.

Commercial income-producing properties (such as office buildings) are depreciated over 39 years.

These timelines are based on the Modified Accelerated Cost Recovery System (MACRS) used for tax purposes.

This concept is included in the Maryland Pre-Licensing Course within the Appraisal and Valuation section, to ensure licensees understand property valuation and investment considerations.

Maryland 60-Hour Principles and Practices of Real Estate Pre-Licensing Course -- ''Real Estate Appraisal and Valuation'' Module

Internal Revenue Code 168 -- MACRS Depreciation Rules.

Question 5

Question Type: MultipleChoice

Cameron had a listing agreement with a client named Ben. Ben got mad at Cameron and said he was terminating the agreement. Can Ben do this?

Options:

A- Only if the property is valued at more than $250,000.
B- Yes, but certain terms of the agreement may still be binding upon Ben.
C- Yes, it's a client's prerogative.
D- Yes, with 30 days' notice.

Answer:

B

Explanation:

Comprehensive and Detailed Explanation From Exact Extract of Maryland 60-Hour Principles and Practices of Real Estate Pre-Licensing Course:

While a client (in this case, Ben) may terminate a listing agreement at any time, the termination does not necessarily release the client from contractual obligations that have already been incurred.

A listing agreement is a bilateral contract between the seller and the broker. If a client ends the agreement without cause, the broker may still be entitled to compensation for expenses or commissions if the property sells to a ready, willing, and able buyer who was introduced during the term.

The Maryland course explains that unilateral termination may constitute breach of contract, depending on the agreement's terms.

Maryland 60-Hour Principles and Practices of Real Estate Pre-Licensing Course -- ''Listing Agreements and Buyer Representation'' Module

Md. Business Occupations and Professions Article 17-532 -- Duties and Rights in Agency Relationships.

Question 6

Question Type: MultipleChoice

When operating under a power of attorney concerning the transfer of real property, who may sign in place of the principal?

Options:

A- Agent
B- County clerk
C- Grantee
D- Principal

Answer:

A

Explanation:

Comprehensive and Detailed Explanation From Exact Extract of Maryland 60-Hour Principles and Practices of Real Estate Pre-Licensing Course:

A power of attorney (POA) is a legal document authorizing one person (the agent or attorney-in-fact) to act on behalf of another person (the principal) in specified matters.

When it comes to transferring real property, a valid, notarized, and recorded power of attorney gives the agent the authority to sign all necessary documents in place of the principal.

The Maryland 60-Hour Course explains this under ''Transfer of Title,'' emphasizing that all signatures must be properly acknowledged to be legally enforceable, and the power of attorney must be recorded with the deed.

Maryland 60-Hour Principles and Practices of Real Estate Pre-Licensing Course -- ''Transfer of Title'' Module

Maryland Real Property Article 4-107 -- Execution by Attorney-in-Fact; Power of Attorney Requirements.

Question 7

Question Type: MultipleChoice

What instruments are commonly used to secure the purchase of real property?

Options:

A- Deed of trust and promissory note
B- Mortgage and deed of trust
C- Mortgage and lease
D- Mortgage and promissory note

Answer:

D

Explanation:

Comprehensive and Detailed Explanation From Exact Extract of Maryland 60-Hour Principles and Practices of Real Estate Pre-Licensing Course:

A promissory note is a borrower's written promise to repay a specified amount of money under agreed terms.

A mortgage is the security instrument that pledges real property as collateral for that note.

Together, they form the legal and financial foundation for most real estate loans.

If the borrower defaults, the lender may foreclose on the property under the rights granted by the mortgage.

The Maryland 60-Hour Course explains that while some states use deeds of trust instead of mortgages, Maryland primarily uses mortgages and promissory notes in conventional real estate financing.

Maryland 60-Hour Principles and Practices of Real Estate Pre-Licensing Course -- ''Real Estate Financing'' Module

Md. Real Property Article 7-105 -- Mortgage and Foreclosure Provisions.

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