Real Estate Licensing Massachusetts-Real-Estate-Salesperson Practice Questions

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Question 1

Question Type: MultipleChoice

A broker received a birthday check from a client. The broker decided to put it in the escrow account because it was from a client. This is

Options:

A- conversion.
B- commingling.
C- acceptable if the check was written on the client's business account.
D- acceptable if the client has had a transaction within the last 18 months.

Answer:

B

Explanation:

Comprehensive and Detailed Explanation (150--250 words):

Escrow accounts are trust accounts designated for client funds related to real estate transactions (e.g., earnest money, security deposits, rent held on behalf of others). Depositing non-transactional personal funds into escrow --- such as a birthday gift check --- is prohibited because it mixes personal/non-transaction funds with client trust funds. This is called commingling.

Conversion (A) occurs when escrow funds are used improperly for personal benefit.

C and D are incorrect because escrow is never for gifts or unrelated funds, regardless of account type or timeline.

Massachusetts regulations (254 CMR 3.10) explicitly prohibit commingling of personal funds with escrow accounts. Even if the check is from a client, if it's unrelated to a transaction, depositing it in escrow is a violation.

Correct answer: B.

Question 2

Question Type: MultipleChoice

The Massachusetts Consumer Protection Act (M.G.L. c. 93A) does NOT apply to which of the following persons?

Options:

A- Owners who sell their homes privately
B- Listing brokers who receive only a percentage of commissions
C- Builders who sell fewer than ten homes a year
D- Salespersons since they are obligated to their employing brokers only

Answer:

A

Explanation:

The Massachusetts Consumer Protection Act (M.G.L. c. 93A) prohibits ''unfair or deceptive acts or practices in the conduct of any trade or commerce.'' This law applies to persons engaged in business transactions, including brokers, salespersons, and builders selling homes.

However, a private homeowner selling their own home without engaging in trade or commerce is exempt. Courts have consistently held that Chapter 93A applies to persons ''engaged in business'' and does not cover purely private, non-business transactions such as a homeowner selling their own single residence.

Thus, while brokers, agents, and even builders are covered by c. 93A (even if they build/sell fewer than ten homes), a private owner selling without brokerage or business involvement is exempt.

Question 3

Question Type: MultipleChoice

When performing its duties, the Board of Registration protects and safeguards the interests of the

Options:

A- State legislature.
B- Governor's office.

C- General public.
D- Licensees.

Answer:

C

Explanation:

The Massachusetts Board of Registration of Real Estate Brokers and Salespersons is a regulatory agency under the Division of Professional Licensure. Its mission is to protect the general public, not licensees.

The Board enforces the real estate licensing laws (M.G.L. c. 112, 87PP--87DDD), establishes regulations (254 CMR), administers licensing exams, investigates complaints, and disciplines licensees for violations. Although the Board interacts with licensees, its role is to ensure consumers are protected from fraud, incompetence, or misconduct in real estate transactions.

Thus, the Board's primary duty is safeguarding the general public, not serving the interests of licensees or government branches.

Question 4

Question Type: MultipleChoice

A seller wants $120,000 for a home and still owes $20,000 of the original loan at 7% interest. The current interest rate is 12%. A buyer can pay $60,000 down and wants to carry a mortgage that includes the seller's $20,000 existing mortgage and the remaining $40,000 for a total of $60,000 at an interest rate of 10%. What kind of mortgage loan is this?

Options:

A- blanket
B- equity
C- wraparound
D- buydown

Answer:

C

Explanation:

A wraparound mortgage is a type of seller financing in which the new loan ''wraps around'' an existing loan. The buyer makes one combined payment to the seller, who continues paying the original loan while retaining the difference.

In this case:

The seller owes $20,000 at 7%.

The buyer wants to borrow $60,000 total ($20,000 existing + $40,000 new).

The new loan is structured at 10% interest, covering both debts.

This is exactly how a wraparound mortgage works: the seller finances the buyer's loan, keeps the existing mortgage in place, and earns the difference between the interest rates.

The other options:

Blanket mortgage (A): covers multiple parcels.

Equity loan (B): based on homeowner equity.

Buydown (D): involves prepaying interest to reduce borrower's rate.

Correct answer: C: wraparound.

Question 5

Question Type: MultipleChoice

Which of the following is used in the cost approach when estimating the value of improvements?

Options:

A- The assessed value of the property including the land.
B- How much it would cost to build a similar building at today's cost.
C- The price per square foot of comparable properties.
D- Location, available financing, and depreciation.

Answer:

B

Explanation:

The cost approach to value is based on the principle of substitution, which states that a buyer will not pay more for a property than the cost to build a comparable one. In this method, the appraiser estimates the current cost of constructing the improvements using either the replacement cost (cost to build a similar building with modern materials and methods) or the reproduction cost (exact duplicate of the original).

The appraiser then subtracts depreciation (physical deterioration, functional obsolescence, or economic obsolescence) and adds the land value (determined separately). This approach is most often used for special-purpose properties (schools, churches, government buildings) where comparable sales are limited.

The other options are incorrect:

Assessed value (A) is for taxation, not appraisal.

Price per square foot (C) is a sales comparison method.

Location/financing (D) are factors but not a direct step in the cost approach.

Question 6

Question Type: MultipleChoice

In a firm whose business model is designated agency, who represents the client named in the consumer licensee disclosure form?

Options:

A- Only the individual agent(s) named on the consumer licensee disclosure form
B- All other designated buyer agents
C- All other designated seller agents
D- All the licensees

Answer:

A

Explanation:

In a designated agency model, a brokerage allows for agents within the firm to represent different parties in the same transaction, provided they are designated to do so. The client is

represented by only the agent(s) named on the consumer licensee disclosure form.

This model ensures that the interests of both the buyer and seller are separately represented by agents who have been specifically appointed by the broker to represent each party. Other agents in the firm do not have fiduciary duties to the client unless explicitly designated.

The designated agency structure allows for more specialized attention and reduces conflicts of interest, as only the designated agent represents the client.

Question 7

Question Type: MultipleChoice

A buyer is considering a property in one of the subdivisions of a Planned Unit Development (PUD). The buyer noticed nearby properties having detached garages and workshops. The buyer mentions to their agent that they want to build a detached building on the back of the lot for a home business. There is an HOA for this subdivision. Additionally, there are overarching covenants, conditions, and restrictions (CC&Rs) for the PUD. What actions, if any, should be taken by the broker to assure the buyer can use the property as they wish?

Options:

A- Recommend the buyer determine if architectural review requirements exist for the subdivision.
B- Determine if home business use is allowed in the subdivision.
C- Take no action because other properties have detached buildings.
D- Recommend the buyer obtain the current CC&Rs and all current HOA documents.

Answer:

D

Explanation:

In a Planned Unit Development (PUD), buyers are subject to both subdivision-level rules (via HOAs) and overarching covenants, conditions, and restrictions (CC&Rs) that govern the entire development. Even if other neighbors have similar structures, this does not guarantee that new construction or business use will be allowed.

The broker's role is to protect the buyer's interests by ensuring they review all current CC&Rs and HOA governing documents. These documents will reveal architectural review requirements, use restrictions (including home businesses), and other limitations. The broker should not assume permissibility based on observation alone.

Thus, the best and legally correct advice is D.

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