Real Estate Licensing NCREC-Broker-N Practice Questions

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Question 1

Question Type: MultipleChoice

[Broker's Authority and Duties]

A North Carolina broker may be subject to disciplinary action for failing to deliver to their client a detailed and accurate closing statement. What obligation does the broker have if the settlement statement will be prepared by a settlement agent and provided at closing?

Options:

A- Ensure that the statement is delivered to the client at least three days before closing
B- Ensure that the statement is signed by both the buyer and the seller
C- Review the statement for accuracy and notify all parties to the closing of any errors
D- Have the statement notarized and recorded at the office of the register of deeds

Answer:

C

Explanation:

North Carolina license law requires brokers to ensure their client receives a detailed closing statement. Even if the attorney or settlement agent prepares the statement, the broker must review it for accuracy and notify all parties of any errors. Failure to do so may result in disciplinary action.

Question 2

Question Type: MultipleChoice

[Compliance with Laws and Regulations -- Contract Capacity]

After a purchase agreement has been signed, but before the transaction closes, the buyer attempts to have the contract voided. The buyer was able to prove that, because of a mental disorder, they were incompetent at the time the contract was signed although later went on medication. Is the contract still valid?

Options:

A- Yes, because mental illness does not factor into questions of contractual capacity.
B- Yes, because the contract is still executory.
C- No, because buyers are entitled to rescind contracts before closing.
D- No, because the temporary incapacity allows them to void the contract.

Answer:

D

Explanation:

For a contract to be valid and enforceable, all parties must have legal capacity at the time of signing. If the buyer can prove they were legally incompetent due to mental illness at the time of execution, they may have the right to void the contract---even if they later regained competence. Temporary or situational incompetence at the time of contract formation is legally sufficient to make the contract voidable. Therefore, the correct answer is D.

Question 3

Question Type: MultipleChoice

A listing broker receives a signed offer from a buyer. Although the broker must present the offer to the seller as soon as possible, under the North Carolina Real Estate Commission Rules, the broker must present the offer:

Options:

A- within 24 hours.
B- before the end of the next business day.
C- within 2 days.
D- within 3 days.

Answer:

B

Explanation:

NCREC rules require brokers to present all written offers to their client ''immediately, but in no event later than three days.'' However, standard practice and Commission guidance emphasize that brokers must present offers no later than the end of the next business day after receipt. This ensures timely communication and allows the seller to respond promptly, especially in a competitive market. Therefore, the correct answer is B.

Question 4

Question Type: MultipleChoice

[Listing Price and Terms -- Types of Financing]

A buyer bought a house on an installment land contract, also called a contract for deed. Which statement about this transaction is TRUE?

Options:

A- The buyer cannot live at the property until the seller is paid the full sales price.
B- The buyer holds equitable title to the property.
C- The buyer will receive legal title to the property immediately.
D- The buyer is financing only the purchase of the land, not the house.

Answer:

B

Explanation:

In an installment land contract (contract for deed), the buyer receives equitable title upon signing and possession of the property. Legal title remains with the seller until the full purchase price is paid or the contract conditions are met. The buyer typically takes possession and lives in the property during the installment period. This is a form of seller financing covering both land and improvements. Therefore, the correct answer is B.

Question 5

Question Type: MultipleChoice

Which option best statements regarding the proper handling of multiple offers in North Carolina is TRUE?

Options:

A- A listing broker must disclose the terms of a buyer's offer to every competing buyer.
B- A listing broker must continue to present offers even if the seller has accepted a previous offer.
C- A listing broker must disclose the existence of multiple offers to all buyers before they make an offer.
D- A listing broker should prioritize the highest offer when presenting multiple offers.

Answer:

B

Explanation:

According to NCREC rules and guidance, a listing broker is obligated to continue presenting all offers to the seller until closing, unless specifically instructed otherwise by the seller in writing. Even if the seller has accepted an offer, other offers must still be presented unless the transaction is completed. Brokers are not required to disclose the terms of competing offers (doing so requires written consent), nor are they required to prioritize offers based on price alone. Therefore, the correct and legally accurate answer is B.

Question 6

Question Type: MultipleChoice

[Compliance with Laws and Regulations -- Unauthorized Practice of Law]

It would be considered the unauthorized practice of law for a North Carolina real estate broker to:

Options:

A- complete a preprinted offer or sales contract form that has been drafted by an attorney.
B- draft an addendum to an offer if there are any special contract provisions.
C- refer a client to an attorney to draft an addendum if there are special contract provisions.
D- modify an electronically generated preprinted form by marking a change requested by a client.

Answer:

B

Explanation:

North Carolina brokers are permitted to complete preprinted, attorney-approved forms (like Standard Form 2-T) and make handwritten changes at the direction of clients. However, they may not draft legal language or new provisions---doing so constitutes the unauthorized practice of law. Brokers must refer clients to an attorney when custom provisions or legal interpretations are needed. Therefore, the correct answer is B.

Question 7

Question Type: MultipleChoice

Which situation would be an appropriate use of an expedited eviction process in North Carolina?

Options:

A- A residential tenant has not paid the rent in more than two months.
B- A tenant has been arrested on a charge of domestic violence.
C- A tenant has filed a false complaint with a local housing authority.
D- A tenant in a two-week vacation rental has breached the rental agreement.

Answer:

D

Explanation:

Under NC General Statutes Chapter 42A (Vacation Rental Act), a landlord may employ the expedited eviction process (using magistrate and four-hour notice) when a tenant under a vacation rental agreement (30 days or fewer) breaches the contract---such as overstaying, failing to pay rent, or materially violating terms. A two-week vacation rental falls under this provision sog.unc.edufairhousingnc.org+14ncleg.gov+14nclamp.gov+14fairhousingnc.org. Option A is standard eviction, not expedited; B and C don't qualify under expedited procedures.

Question 8

Question Type: MultipleChoice

[Parties and Property Description -- Legal Instruments]

Which statement about acknowledging a deed is TRUE?

Options:

A- Acknowledging a deed requires the signature of the listing agent.
B- A deed must be acknowledged to be valid.
C- A deed must be acknowledged to be recorded.
D- A deed must be acknowledged or the transaction cannot close.

Answer:

C

Explanation:

In North Carolina, a deed must be in writing, signed by the grantor, and delivered to the grantee to be valid. However, acknowledgment (notarization) is not required for validity---but it is required for the deed to be recorded at the county Register of Deeds. Recording provides constructive notice of ownership. Therefore, the correct answer is C.

Question 9

Question Type: MultipleChoice

Property in Town A is assessed at 50% of market value. The property tax rate is $32 per $1,000. If the market value of a home is $630,000, what is the annual tax assessment?

Options:

A- $4,032
B- $8,064
C- $10,080
D- $20,160

Answer:

C

Explanation:

Step 1: Determine assessed value

Market value = $630,000

Assessment rate = 50%

Assessed value = $630,000 0.50 = $315,000

Step 2: Calculate tax

Tax rate = $32 per $1,000

$315,000 $1,000 = 315

315 $32 = $10,080

However, this result matches option C. Therefore:

Corrected Final Answer: C. $10,080

Explanation Confirmed: Assessed value is 50% of $630,000 = $315,000. Tax at $32 per $1,000 means $315 $32 = $10,080. Correct answer is C.

Question 10

Question Type: MultipleChoice

[Compliance with Laws and Regulations -- Lien Priority]

In North Carolina, which lien has the highest priority when property is sold to recover a debt?

Options:

A- Ad valorem property tax lien
B- Judgment lien
C- Mortgage lien
D- Whichever lien was recorded first

Answer:

A

Explanation:

In North Carolina, and in most states, ad valorem (real estate) property tax liens have ''superior lien'' status. They take precedence over all other liens, regardless of recording date. This includes mortgage liens and judgment liens. Therefore, even if a mortgage was recorded first, a property tax lien takes priority. Correct answer: A.

Question 11

Question Type: MultipleChoice

If a seller whose property is currently listed with another company initiates a conversation with a broker about the possibility of the broker becoming their new listing agent, the broker:

Options:

A- may discuss the terms of a possible listing agreement that would begin after the current listing ends.
B- may not discuss the terms of any possible future listing agreement.
C- may suggest that the seller terminate the current listing agreement early.
D- must advise the seller to contact an attorney.

Answer:

A

Explanation:

Under the NCREC Rules and Code of Ethics, a broker may not interfere with another firm's existing exclusive listing agreement. However, if a seller independently initiates a conversation, a broker is allowed to discuss the terms of a future agreement --- but that agreement must begin only after the current listing expires. The broker must not suggest early termination or breach of contract. Therefore, option A accurately reflects what is legally and ethically permissible.

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