

Agent Roles and Obligations in Maryland Practice Test (Sample)

Study Guide



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SAMPLE

Questions

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- 1. Which agent role is designated by a dual agent and exclusively represents the seller in a dual agency situation?**
 - A. Broker**
 - B. Broker's designee**
 - C. Buyer's intra-company agent**
 - D. Seller's intra-company agent**
- 2. In which situation does a seller maintain a customer relationship with a licensee?**
 - A. When the seller is represented by a different licensee.**
 - B. When the seller is under a buyer agency agreement.**
 - C. When the seller engages the licensee for advice.**
 - D. When the seller is a client of the licensee.**
- 3. What must dual agents maintain regarding confidential information?**
 - A. They can discuss all terms with both parties**
 - B. They must disclose any secret motivations**
 - C. They must keep sensitive information confidential unless written consent is given**
 - D. They are allowed to advocate for one party over the other**
- 4. What is the key obligation of a sub-agent in a real estate transaction?**
 - A. To act in the best interest of the buyer**
 - B. To keep all information confidential**
 - C. To prioritize the interests of the listing agent**
 - D. To provide full disclosure to the seller**
- 5. Which of the following are the three main types of agency relationships in Maryland?**
 - A. Universal, general, and special agency**
 - B. Limited, special, and implied agency**
 - C. General, express, and implied agency**
 - D. Universal, implied, and limited agency**

- 6. In a buyer agency relationship, who does the licensee exclusively represent?**
- A. The seller**
 - B. The buyer**
 - C. Both the buyer and seller**
 - D. Neither party**
- 7. Which of the following is a requirement before a licensee may show a property to a prospective buyer in Maryland?**
- A. The buyer must sign a list of previous transactions.**
 - B. The licensee must inform the buyer of all potential listings.**
 - C. The buyer must sign a representation agreement or acknowledgment of sub-agency.**
 - D. The buyer must provide a purchase offer before viewing.**
- 8. What practice was historically incorrect regarding buyer representation?**
- A. Buyers are represented adequately in transactions.**
 - B. Buyers did not need representation in transactions.**
 - C. Licensees always had a fiduciary duty to buyers.**
 - D. Only sellers were considered important in transactions.**
- 9. What does fiduciary duty imply in agency relationships?**
- A. An obligation to act in the principal's best interests**
 - B. A requirement to report all profits to the principal**
 - C. A contract outlining the terms of agency**
 - D. An expectation of mutual benefit**
- 10. How does a principal's mental capacity affect agency relationships in Maryland?**
- A. Affects the duration of the agreement**
 - B. No effect on the agency relationship**
 - C. Can render the relationship void or voidable**
 - D. Guarantees success in the relationship**

Answers

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1. D
2. A
3. C
4. D
5. A
6. B
7. C
8. B
9. A
10. C

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Explanations

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1. Which agent role is designated by a dual agent and exclusively represents the seller in a dual agency situation?

- A. Broker**
- B. Broker's designee**
- C. Buyer's intra-company agent**
- D. Seller's intra-company agent**

In a dual agency situation, a seller's intra-company agent is the role that specifically denotes an agent who represents the seller exclusively while also being part of a dual agency arrangement. This scenario typically occurs when one real estate firm represents both the buyer and the seller in a transaction. The seller's intra-company agent has the responsibility to advocate for the seller's interests, ensuring that the seller receives the best possible outcome in negotiations. The importance of this role lies in the need to maintain a clear line of representation, even when dual agency complicates the relationship. This agent must adhere to fiduciary duties such as loyalty, confidentiality, and full disclosure, strictly prioritizing the seller's needs and preferences. In contrast, other options like the broker and the broker's designee may represent more generalized roles in the real estate transaction that don't specifically focus on exclusive representation of the seller within a dual agency framework. Similarly, a buyer's intra-company agent would focus on representing the buyer's interests, not the seller's. Therefore, the seller's intra-company agent is the most accurate designation for the role responsible for representing the seller exclusively in this context.

2. In which situation does a seller maintain a customer relationship with a licensee?

- A. When the seller is represented by a different licensee.**
- B. When the seller is under a buyer agency agreement.**
- C. When the seller engages the licensee for advice.**
- D. When the seller is a client of the licensee.**

In the context of agency relationships in real estate, the correct answer focuses on how the seller interacts with a licensee when they are represented by another licensee. A customer relationship exists when the seller is not in a formal agency relationship with the licensee but is still engaging with them in a manner that does not bind them to fiduciary duties. When the seller is represented by a different licensee, they maintain a customer relationship with an additional licensee because the first licensee retains full agency obligations to their own client (the seller). The new licensee, while they might offer information or assistance in a limited capacity, does not hold any agency responsibilities towards the seller. Instead, they primarily serve in a capacity that responds to customer inquiries or provides market advice without being obligated to act in the seller's best interest, as established by the duties of an agency relationship. This differentiates the scenario from others listed. For example, if the seller is under a buyer agency agreement, or if they are engaged with a licensee specifically for advice, these situations could indicate a higher level of commitment or obligation and may establish an agency relationship. When the seller is a client of the licensee, that clearly defines an agency relationship, which also alters the nature

3. What must dual agents maintain regarding confidential information?

- A. They can discuss all terms with both parties**
- B. They must disclose any secret motivations**
- C. They must keep sensitive information confidential unless written consent is given**
- D. They are allowed to advocate for one party over the other**

Dual agents are required to maintain confidentiality regarding sensitive information obtained from both parties involved in a transaction. This is because a dual agent represents both the buyer and the seller, creating a unique situation where loyalty to one party can conflict with the obligations to the other. The correct answer emphasizes that unless written consent is provided by both parties, a dual agent must keep all sensitive information confidential. This duty of confidentiality helps to ensure trust and protect the interests of both parties, allowing them to feel secure in their negotiations and communications. The other choices do not align with the obligations of a dual agent. Discussing all terms with both parties could lead to a breach of confidentiality. Disclosing secret motivations could undermine the trust necessary for the agent-client relationship. Likewise, advocating for one party over another would conflict with the agent's duty to treat both parties fairly. Therefore, maintaining confidentiality is a critical obligation of a dual agent in Maryland.

4. What is the key obligation of a sub-agent in a real estate transaction?

- A. To act in the best interest of the buyer**
- B. To keep all information confidential**
- C. To prioritize the interests of the listing agent**
- D. To provide full disclosure to the seller**

The key obligation of a sub-agent in a real estate transaction is to provide full disclosure to the seller. This duty is rooted in the principle of agency where the sub-agent, while representing the interests of the buyer, also has fiduciary responsibilities to the seller since the seller is the principal in the original agency relationship created by the listing agreement. A sub-agent must disclose all pertinent information affecting the transaction to the seller, ensuring that the seller is fully informed about offers, potential buyers, and any issues with the property. This obligation helps maintain transparency and trust in the real estate process. While maintaining confidentiality is important, the obligation to disclose relevant information to the seller takes precedence in a typical agency relationship. In this context, the interests of the buyer and the listing agent must be balanced, but the fundamental duty to disclose to the seller remains central to the sub-agent's role. Prioritizing the interests of the listing agent could lead to conflicts if it comes at the expense of obligations to the seller or buyer.

5. Which of the following are the three main types of agency relationships in Maryland?

- A. Universal, general, and special agency**
- B. Limited, special, and implied agency**
- C. General, express, and implied agency**
- D. Universal, implied, and limited agency**

The correct answer identifies the three main types of agency relationships as universal, general, and special agency. This classification is significant in Maryland law and provides a framework for understanding the extent and limitations of the authority granted to agents by principals. Universal agency refers to a situation where the agent has the authority to act on behalf of the principal in all matters, effectively functioning in a comprehensive role. This type of agency is rare and typically designated in very specific circumstances where the agent is entrusted with complete responsibility. General agency encompasses instances where the agent has the authority to act on behalf of the principal in a broad range of specific matters but does not cover every aspect of the principal's affairs. An example of general agency is a property manager who manages rental properties but does not make broader decisions outside that context. Special agency is more limited and allows the agent to act on behalf of the principal in specific tasks or for a limited duration. This is most commonly seen in real estate transactions where a real estate agent is given the authority to represent the seller during the sale of a particular property. Understanding these distinctions is crucial for determining the rights and responsibilities of both agents and principals in various scenarios. The other options provided do not correctly identify the main types of agency relationships recognized in Maryland law

6. In a buyer agency relationship, who does the licensee exclusively represent?

- A. The seller**
- B. The buyer**
- C. Both the buyer and seller**
- D. Neither party**

In a buyer agency relationship, the licensee exclusively represents the buyer. This means that the agent has a fiduciary duty to the buyer, focusing on their best interests throughout the real estate transaction. The agent's primary responsibility is to provide the buyer with guidance, perform due diligence, negotiate on their behalf, and protect their interests while navigating the complexities associated with purchasing a property. This exclusive representation clarifies that the agent is committed to the buyer's needs and objectives, which is critical in ensuring that the buyer receives appropriate advice and assistance during the purchasing process. It also means that the agent will not represent the seller in this arrangement, ensuring there is no conflict of interest, and the buyer can trust that the agent is advocating solely for them. A situation where the licensee would represent the seller, both parties, or neither would contradict the established understanding of a buyer agency relationship, which is focused specifically on serving the buyer's needs and interests.

7. Which of the following is a requirement before a licensee may show a property to a prospective buyer in Maryland?

- A. The buyer must sign a list of previous transactions.**
- B. The licensee must inform the buyer of all potential listings.**
- C. The buyer must sign a representation agreement or acknowledgment of sub-agency.**
- D. The buyer must provide a purchase offer before viewing.**

The correct choice is that the buyer must sign a representation agreement or acknowledgment of sub-agency before a licensee may show a property to a prospective buyer in Maryland. This requirement is rooted in the principles of agency law and emphasizes the importance of establishing a clear, legally recognized relationship between the agent (licensee) and the buyer. A representation agreement formalizes the understanding of the services the agent will provide and the obligations of the parties involved, ensuring that the buyer comprehensively understands their rights and the commitments of the licensee. This agreement is crucial as it clarifies the roles and duties within the agency relationship, promoting transparency and trust. The options referencing the buyer signing a list of previous transactions, the licensee informing the buyer of all potential listings, or the buyer providing a purchase offer before viewing do not constitute necessary or mandated steps under Maryland law. Such practices might be useful in some contexts but do not fulfill the specific legal criteria that must be met before a licensee can show properties to prospective buyers. The agency relationship and the necessary agreements are what govern these interactions, thereby ensuring both compliance with legal standards and the protection of the involved parties' interests.

8. What practice was historically incorrect regarding buyer representation?

- A. Buyers are represented adequately in transactions.**
- B. Buyers did not need representation in transactions.**
- C. Licensees always had a fiduciary duty to buyers.**
- D. Only sellers were considered important in transactions.**

The choice regarding buyer representation that reflects a historically incorrect practice is that buyers did not need representation in transactions. This viewpoint suggests that buyers were expected to navigate real estate transactions without the support of a knowledgeable agent, which is inconsistent with the evolution of real estate practices. Historically, the focus in real estate transactions was predominantly on the seller, with the assumption that buyers could manage their own interests without dedicated representation. This led to situations where buyers were often at a disadvantage, lacking the expertise and guidance that could protect their interests throughout the buying process. With the development of buyer agency and an understanding of the fiduciary responsibilities that agents have toward their clients, the importance of having buyer representation has been reinforced. Recognizing that buyers benefit significantly from having their interests advocated for highlights a fundamental shift in real estate practice, emphasizing the need for balanced representation in transactions.

9. What does fiduciary duty imply in agency relationships?

- A. An obligation to act in the principal's best interests**
- B. A requirement to report all profits to the principal**
- C. A contract outlining the terms of agency**
- D. An expectation of mutual benefit**

Fiduciary duty in agency relationships entails an obligation for the agent to act in the best interests of the principal. This foundational principle means that the agent must prioritize the principal's interests above their own and provide loyalty, full disclosure, and care in managing the principal's affairs. The relationship is built on trust, and the agent must avoid any conflicts of interest or self-dealing that may harm the principal. While the other options touch upon aspects of agency, they do not encapsulate the essence of fiduciary duty. Reporting profits or maintaining a contract are transactional or procedural elements but do not reflect the deeper ethical obligation inherent in fiduciary relationships. The expectation of mutual benefit also does not capture the one-sided responsibility that the agent has towards the principal, which is at the core of fiduciary duty.

10. How does a principal's mental capacity affect agency relationships in Maryland?

- A. Affects the duration of the agreement**
- B. No effect on the agency relationship**
- C. Can render the relationship void or voidable**
- D. Guarantees success in the relationship**

A principal's mental capacity is a crucial factor in determining the validity of an agency relationship. In Maryland, as well as in many other jurisdictions, if a principal lacks the mental capacity to understand the nature of their actions, this can render the agency relationship either void or voidable. When a principal does not have the mental capacity to form a contract, such as being mentally incapacitated or suffering from a severe mental disorder, any agreement made with an agent may not hold legal weight. This is because, for a valid agency relationship to exist, the principal must be able to understand the consequences of the relationship and the actions taken by the agent on their behalf. A void agency relationship means that it is considered invalid from the outset, as if it never existed. A voidable relationship allows the principal to affirm or reject the agreement upon regaining capacity. This understanding is vital in ensuring that both the rights of the principal and the legitimacy of the agency relationship are upheld, thus making the correct choice regarding the impact of mental capacity on agency relationships clear.