

Maryland Land Title Association Pre-Licensing Practice Test (Sample)

Study Guide



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SAMPLE

Questions

- 1. What is the purpose of a closing statement in a real estate transaction?**
 - A. To summarize the transaction and disclose the final costs**
 - B. To present the property's historical title**
 - C. To outline financing options available to buyers**
 - D. To confirm the home inspection results**
- 2. In which context is the Anti-Kickback Provision most commonly applied?**
 - A. Financial transactions in retail**
 - B. Healthcare referrals and services**
 - C. Contract negotiations in construction**
 - D. Marketing campaigns in technology**
- 3. What is an essential requirement for the validity of a deed?**
 - A. It must contain a specific lock box**
 - B. It must be notarized by an attorney**
 - C. It must be filed with the appropriate government office**
 - D. It must be published in a local real estate magazine**
- 4. What is the term used for the act of signing a check or promissory note to transfer it to another party?**
 - A. Transfer**
 - B. Endorsement**
 - C. Assignment**
 - D. Conveyance**
- 5. What characterizes a recourse loan?**
 - A. A loan that allows the lender to pursue only the property in case of default**
 - B. A loan that requires no collateral**
 - C. A loan that permits the lender to pursue the borrower personally in case of default**
 - D. A loan that is guaranteed by a government agency**

- 6. What does a Deed in Lieu of Foreclosure involve?**
- A. The borrower keeps the property without payments**
 - B. The borrower conveys property to the lender**
 - C. The lender sells the property at auction**
 - D. The property is left vacant**
- 7. Which action was prohibited in 2007 regarding ground rent practices?**
- A. Ground Rent Assignment**
 - B. Ground Rent Ejectment**
 - C. Ground Rent Redemption**
 - D. Ground Rent Adjustment**
- 8. What is the consequence of a borrower defaulting on a promissory note?**
- A. The lender cannot take any action**
 - B. The lender may file for foreclosure**
 - C. The borrower must repay the debt promptly**
 - D. The borrower retains ownership of the property**
- 9. Which of the following best describes the Anti-Kickback Provision?**
- A. A guideline for ethical business practices**
 - B. A criminal statute regarding referral payment practices**
 - C. A regulation for advertising practices in healthcare**
 - D. A tax law affecting payments between vendors**
- 10. What type of transactions are secured by purchase money mortgages or deeds of trust?**
- A. Only refinancing agreements**
 - B. Transactions involving borrowing funds for acquiring real property**
 - C. Transactions related to rental agreements**
 - D. Only transactions involving cash purchases**

Answers

SAMPLE

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

SAMPLE

Explanations

SAMPLE

1. What is the purpose of a closing statement in a real estate transaction?

- A. To summarize the transaction and disclose the final costs**
- B. To present the property's historical title**
- C. To outline financing options available to buyers**
- D. To confirm the home inspection results**

The purpose of a closing statement in a real estate transaction is to summarize the transaction and disclose the final costs associated with the sale. This document is essential as it provides a detailed account of all the financial aspects of the transaction, including the sale price, closing costs, any adjustments, deposits, and credits to each party involved. By breaking down these costs, the closing statement ensures that both the buyer and seller have a clear understanding of their financial obligations and entitlements before the transaction is finalized. This transparency helps prevent misunderstandings and disputes at closing, making it a critical component of the real estate transaction process. The other options relate to aspects of real estate transactions but do not encapsulate the primary function of a closing statement. Presenting the property's historical title pertains more to title searches and title insurance, outlining financing options focuses on the financial preparations before a transaction, and confirming home inspection results relates to the condition of the property rather than the financial closing process.

2. In which context is the Anti-Kickback Provision most commonly applied?

- A. Financial transactions in retail**
- B. Healthcare referrals and services**
- C. Contract negotiations in construction**
- D. Marketing campaigns in technology**

The Anti-Kickback Provision is most commonly applied in the context of healthcare referrals and services. This federal law is designed to prevent fraud and abuse in healthcare systems by prohibiting the exchange of anything of value in return for referrals of services that are reimbursable by government healthcare programs, such as Medicaid and Medicare. The intent is to ensure that medical decisions are made based solely on the patients' best interests rather than being influenced by financial incentives. In the healthcare industry, where the potential for conflicts of interest is substantial, maintaining transparent and ethical practices is critical to preserving the integrity of patient care. The provision aims to curb practices that can lead to increased healthcare costs and potential harm to patients due to unnecessary treatments or services driven by financial gain. Other contexts listed, such as financial transactions in retail, contract negotiations in construction, or marketing campaigns in technology, do not have the same specific regulatory framework centered around kickbacks that directly affects patient care and governmental reimbursement. While kickback-related issues may arise in those fields, they are not as tightly regulated under federal law in the same manner as they are in healthcare.

3. What is an essential requirement for the validity of a deed?

- A. It must contain a specific lock box
- B. It must be notarized by an attorney
- C. It must be filed with the appropriate government office**
- D. It must be published in a local real estate magazine

The validity of a deed hinges on the requirement that it must be filed with the appropriate government office, typically the county clerk or recorder's office. This process serves multiple purposes: it provides public notice of the ownership transfer, ensures a clear chain of title, and protects the interests of the grantee (the person receiving the property). Filing a deed establishes it as a public record, allowing others to see who owns the property and any encumbrances that may be attached to it. While notarization and witnessing may bolster the authenticity and legal enforceability of a deed, they are not universally required for a deed to be valid in all jurisdictions. Additionally, publication in a local real estate magazine is not a standard requirement for validity and does not contribute to the legal standing of a deed. Therefore, the requirement to file the deed is a fundamental aspect that allows it to convey ownership legally and effectively.

4. What is the term used for the act of signing a check or promissory note to transfer it to another party?

- A. Transfer
- B. Endorsement**
- C. Assignment
- D. Conveyance

The term used for the act of signing a check or promissory note to transfer it to another party is "endorsement." When a person endorses a check, they are authorizing the transfer of that check to another individual or entity by signing their name on the back or front, depending on the type of endorsement. This signature signifies the transfer of ownership and the right to receive the funds represented by the check or note. Endorsement is a critical component in the process of negotiating financial instruments, as it legally binds the endorser to the transaction and allows the recipient to present the instrument for payment. Understanding this concept is essential in the fields of finance and real estate, as it applies to various scenarios involving the assignment of financial rights or obligations. The other terms listed, such as transfer, assignment, and conveyance, do relate to movement or transfer of rights or ownership but do not specifically refer to the act of signing a check or promissory note. Transfer is a general term that could apply in numerous contexts; assignment typically pertains to the transfer of contractual rights; and conveyance is generally used in the context of real property transactions. Thus, endorsement is the precise term that explains the act of signing financial instruments for transfer to another

5. What characterizes a recourse loan?

- A. A loan that allows the lender to pursue only the property in case of default
- B. A loan that requires no collateral
- C. A loan that permits the lender to pursue the borrower personally in case of default**
- D. A loan that is guaranteed by a government agency

A recourse loan is characterized by the lender's right to pursue the borrower personally in the event of a default on the loan. This means that if the borrower fails to meet the repayment terms, the lender may not only seek to recover the property used as collateral for the loan but can also pursue the borrower's other assets or income to recover any outstanding debt. This feature of recourse loans provides additional security to lenders because it reduces their risk by allowing them to go after the borrower's overall financial resources beyond just the collateral. In contrast, a loan that allows the lender to pursue only the property is known as a non-recourse loan, which limits the lender's recovery options. A loan that requires no collateral would refer to an unsecured loan, which does not provide the lender with the rights associated with recourse loans. Lastly, loans that are guaranteed by a government agency, such as FHA or VA loans, may have specific protections or guarantees, but this characteristic does not inherently define a recourse loan. Instead, the defining factor of a recourse loan is its provision for the lender to seek personal recourse against the borrower.

6. What does a Deed in Lieu of Foreclosure involve?

- A. The borrower keeps the property without payments
- B. The borrower conveys property to the lender**
- C. The lender sells the property at auction
- D. The property is left vacant

A Deed in Lieu of Foreclosure involves the borrower voluntarily transferring ownership of the property to the lender in order to settle a mortgage debt that they are unable to pay. This arrangement allows the borrower to avoid the foreclosure process, which can be lengthy, costly, and damaging to their credit. By executing a Deed in Lieu, the borrower admits that they can no longer afford the property and agrees to relinquish any further claims to it, thereby allowing the lender to take possession without the need for court intervention. In this situation, rather than the lender initiating a foreclosure that would involve legal proceedings and potential auctioning of the property, the borrower willingly gives up the property, which can streamline the process for both parties. This typically helps the borrower mitigate some of the financial repercussions associated with a foreclosure and allows the lender to quickly take control of the property without incurring the additional costs and delays of a foreclosure action. While other options mention outcomes associated with property ownership or foreclosure, they do not accurately depict the specific nature of a Deed in Lieu of Foreclosure, which emphasizes the borrower's voluntary transfer of property to settle their debt.

7. Which action was prohibited in 2007 regarding ground rent practices?

A. Ground Rent Assignment

B. Ground Rent Ejectment

C. Ground Rent Redemption

D. Ground Rent Adjustment

The action that was prohibited in 2007 regarding ground rent practices is ground rent ejectment. This refers to the legal process where a landlord could forcibly remove a tenant from a property due to non-payment of ground rent. The legislation enacted in Maryland aimed to protect tenants from such harsh measures, recognizing the impact of eviction on individuals and families. Focus was placed on ensuring fairness and providing tenants with more security in their residences. This change reflected a shift towards tenant protections, acknowledging the need to balance landlords' rights with the need for stable housing for tenants. The ban on ejectment was part of a broader reform that sought to address inequities in the ground rent system. Thus, this prohibition helped establish a more equitable legal landscape for ground rent arrangements in Maryland.

8. What is the consequence of a borrower defaulting on a promissory note?

A. The lender cannot take any action

B. The lender may file for foreclosure

C. The borrower must repay the debt promptly

D. The borrower retains ownership of the property

When a borrower defaults on a promissory note, it typically means they have failed to meet the agreed-upon terms of repayment. In this scenario, the lender has the right to pursue legal remedies to recover the owed funds. One of the primary actions a lender can take in the event of default is to file for foreclosure. Foreclosure is a legal process in which the lender seeks to reclaim the property that was used as collateral for the loan. This process allows the lender to take possession of the property to sell it and recoup the outstanding debt. Since a promissory note often accompanies a mortgage or deed of trust, the lender's ability to foreclose is a fundamental aspect of ensuring they can secure their investment in the event of a borrower's default. In this context, the other options do not align with the realities of borrowing and lending practices. The notion that a lender cannot take any action disregards the legal recourse available to them in such situations. The borrower being required to repay the debt promptly does not hold once they have defaulted, as the situation has already escalated beyond typical repayment expectations. Lastly, the claim that the borrower retains ownership of the property contradicts the fundamental purpose of foreclosure, which is to allow the lender

9. Which of the following best describes the Anti-Kickback Provision?

- A. A guideline for ethical business practices**
- B. A criminal statute regarding referral payment practices**
- C. A regulation for advertising practices in healthcare**
- D. A tax law affecting payments between vendors**

The Anti-Kickback Provision is best described as a criminal statute regarding referral payment practices. This provision originated from federal laws aimed at preventing improper financial incentives that could alter the behavior of healthcare providers, leading to over-utilization of services, increased costs, or compromised patient care. The Anti-Kickback Statute prohibits the knowing and willful payment or receipt of any remuneration in return for referring an individual to a person for the furnishing of services covered by federal healthcare programs, or for purchasing, leasing, or ordering any goods or services covered by those programs. Its primary goal is to maintain the integrity of the healthcare system by ensuring that clinical decisions are made based on the best interests of patients, rather than influenced by financial gain. This regulation is critical for maintaining ethical standards within the healthcare industry, ensuring that all parties act in compliance with the law and safeguard the interests of patients receiving care.

10. What type of transactions are secured by purchase money mortgages or deeds of trust?

- A. Only refinancing agreements**
- B. Transactions involving borrowing funds for acquiring real property**
- C. Transactions related to rental agreements**
- D. Only transactions involving cash purchases**

Purchase money mortgages or deeds of trust are specifically designed to secure loans that are used to finance the acquisition of real property. When a buyer obtains a loan to purchase a home or any other type of real estate, that loan is secured by the property itself through a purchase money mortgage or deed of trust. This means that the lender has a lien on the property until the loan is satisfied. In contrast, refinancing agreements typically involve existing mortgages being replaced or modified rather than resulting in a new purchase. Rental agreements do not involve the acquisition of property, and therefore, they do not relate to purchase money mortgages or deeds of trust since no property purchase occurs. Lastly, transactions involving only cash purchases do not require a mortgage or deed of trust at all, as there is no borrowing involved. Thus, the correct answer identifies transactions that involve borrowing funds specifically aimed at acquiring real property, encapsulating the primary role of purchase money mortgages and deeds of trust in real estate transactions.