North Dakota Property Practice Exam (Sample)

Study Guide

BY EXAMZIFY

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Questions

1. What is a "subject to" deal?

- **A. A sales agreement where the buyer pays in cash**
- **B. A transaction where the buyer takes over the existing mortgage payments but does not formally assume the loan**
- **C. A method of selling property without a real estate agent**
- **D. A lease agreement with an option to buy**

2. What do policy conditions define in an insurance contract?

- **A. Coverage limits**
- **B. How parties must act following a loss**
- **C. Types of coverage available**
- **D. Premium amounts**

3. What does the term "equity" mean in real estate?

- **A. The total amount of all rental income generated**
- **B. The difference between the market value of a property and the amount owed on it**
- **C. The total cost of purchasing a property**
- **D. The annual appreciation of property value**

4. Which document contains information about a person's credit, character, and reputation?

- **A. Insurance policy**
- **B. Consumer report**
- **C. Credit report**
- **D. Background check**

5. What is the North Dakota Homestead Exemption?

- **A. A tax that increases for non-residents**
- **B. A tax benefit that reduces the taxable value of a primary residence for eligible homeowners**
- **C. A mandatory fee for all homeowners**
- **D. A discount for property sold below market value**

6. What rating type will the insurer most likely use for a new, experimental aircraft?

   A. Standard rating

   B. Judgement

   C. Class rating

   D. Experience rating

7. What is a short sale?

   A. A sale of a property at market value

   B. A sale of a property for more than the mortgage amount

   C. A sale of a property for less than the amount owed on the mortgage

   D. A sale that occurs after foreclosure

8. What is the primary purpose of a property insurance policy?

   A. To provide liability coverage for personal injuries

   B. To protect against financial loss due to property damage or loss

   C. To satisfy mortgage requirements

   D. To serve as a legal document

9. What is the special per occurrence limit for loss or damage to precious metals, stones, and other specified items under commercial crime coverage?

   A. $1,000

   B. $5,000

   C. $10,000

   D. $15,000

10. The HO-3 homeowners policy provides what type of coverage?

   A. Named peril coverage for the dwelling

   B. Open peril coverage on the dwelling and broad form coverage on personal property

   C. Limited coverage for both the dwelling and personal property

   D. Standard peril coverage on the dwelling and open peril coverage on personal property

Answers

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

Explanations

1. What is a "subject to" deal?

A. A sales agreement where the buyer pays in cash

B. A transaction where the buyer takes over the existing mortgage payments but does not formally assume the loan

C. A method of selling property without a real estate agent

D. A lease agreement with an option to buy

In real estate terminology, a "subject to" deal refers to a transaction where the buyer takes over the existing mortgage payments on a property without formally assuming the mortgage. This means that the seller remains legally responsible for the mortgage, but the buyer manages the payments. This arrangement can be advantageous for buyers who may not qualify for a new loan or who want to take advantage of the seller's lower interest rate. In these situations, the title of the property is transferred to the buyer while the mortgage remains in the seller's name. It allows the buyer to control the property and benefit from potential appreciation or rental income without taking on the debt obligation formally. Understanding "subject to" deals is crucial for both buyers and sellers, as it requires careful consideration of the risks involved, including the possibility of the lender calling the loan due upon transfer of ownership. This type of transaction can offer flexibility and financial solutions that traditional sales may not provide.

2. What do policy conditions define in an insurance contract?

A. Coverage limits

B. How parties must act following a loss

C. Types of coverage available

D. Premium amounts

In an insurance contract, policy conditions define how the parties involved must act following a loss. This includes the responsibilities of the insured and the insurer after a claim is made, outlining procedures for filing a claim, the necessary notifications, any obligations to protect the property from further damage, and methods for investigating and settling claims. These conditions ensure that both parties know their rights and responsibilities, which helps facilitate the claims process and protects the interests of both the insurer and the insured. Understanding these conditions is crucial because they not only govern the behavior expected after a loss but also influence the overall effectiveness of the policy. Failing to adhere to the stipulated conditions can result in denial of a claim or delays in receiving benefits, thus underscoring their importance. The other aspects of insurance contracts, such as coverage limits, types of coverage, and premium amounts, are essential components of the policy but do not pertain to the actions required following a loss. They inform the insured about the financial limits of the insurance and guide decisions regarding coverage options and costs but do not dictate the actions required after an event occurs.

3. What does the term "equity" mean in real estate?

A. The total amount of all rental income generated

B. The difference between the market value of a property and the amount owed on it

C. The total cost of purchasing a property

D. The annual appreciation of property value

The term "equity" in real estate refers to the difference between the market value of a property and the amount owed on it. In simpler terms, it represents the owner's interest in the property. When you own a home, equity increases as you pay down the mortgage and as the property appreciates in value. For example, if a property is valued at $300,000 and the total amount owed on the mortgage is $200,000, the equity in the property would be $100,000. This concept is crucial for homeowners looking to understand their financial position and for lenders when determining how much they can lend against the property. Understanding equity is essential for making informed decisions about selling, refinancing, or leveraging property, as it reflects the actual stake an owner has in their real estate investment.

4. Which document contains information about a person's credit, character, and reputation?

A. Insurance policy

B. Consumer report

C. Credit report

D. Background check

The document that contains information about a person's credit, character, and reputation is a consumer report. A consumer report is a comprehensive background report that includes details about an individual's credit history, public records, and other relevant information that may relate to their character and reputation. This report is commonly used by lenders, landlords, and employers when assessing an individual's suitability for credit, rental agreements, or employment positions. While a credit report specifically focuses on a person's creditworthiness and credit history, it does not encompass the broader scope of character and reputation that a consumer report offers. In contrast, an insurance policy does not provide any personal information about credit or character, and a background check, while it can include elements of a consumer report or credit report, may not always present comprehensive data regarding credit. Therefore, the consumer report is the most encompassing document for assessing a person's credit, character, and reputation collectively.

5. What is the North Dakota Homestead Exemption?

A. A tax that increases for non-residents

B. A tax benefit that reduces the taxable value of a primary residence for eligible homeowners

C. A mandatory fee for all homeowners

D. A discount for property sold below market value

The North Dakota Homestead Exemption refers to a tax benefit specifically designed for eligible homeowners, which reduces the taxable value of their primary residence. This exemption is aimed at providing financial relief to residents, making homeownership more affordable by lowering the property taxes owed on their primary homes. The benefit is particularly valuable for individuals and families, as it can ease the financial burden associated with property ownership, allowing homeowners to retain more of their income after taxes. Due to the nature of the exemption, it is only available to those who meet specific eligibility criteria, such as income limits or residency requirements. This targeted approach helps ensure that the benefits are provided to those who may need them the most, like low-income residents, the elderly, or individuals with disabilities. The other choices do not accurately represent the purpose or nature of the homestead exemption. The tax increasing for non-residents is unrelated to the exemption's purpose, and a mandatory fee for all homeowners suggests a requirement that does not exist with the exemption. Moreover, a discount for property sold below market value does not align with the homestead exemption, which focuses on the tax implications of ownership rather than the sale price of properties.

6. What rating type will the insurer most likely use for a new, experimental aircraft?

A. Standard rating

B. Judgement

C. Class rating

D. Experience rating

For a new, experimental aircraft, the insurer is most likely to use judgement rating. This type of rating is applied when adequate historical data is not available to assess the risk associated with a particular policy. Since experimental aircraft are often unique and may have uncommon operational characteristics, insurers rely on the underwriter's expertise and judgement to evaluate the risk involved. Judgement rating takes into account various factors such as the design, intended use, and the experience of the pilot and operator, providing a tailored approach to determine the premium for the insurance coverage. The absence of a standard or established risk profile for experimental aircraft makes judgement rating the most appropriate method for determining their insurance premiums. In contrast, standard rating typically relies on well-documented risks with extensive data, class rating groups similar risks together based on common characteristics, and experience rating adjusts premiums based on the insured's past claims history. Since experimental aircraft do not fit neatly into these established categories, it's the judgement rating that is most applicable.

7. What is a short sale?

- A. A sale of a property at market value
- B. A sale of a property for more than the mortgage amount
- **C. A sale of a property for less than the amount owed on the mortgage**
- D. A sale that occurs after foreclosure

A short sale refers to a real estate transaction where the property is sold for less than the amount owed on the mortgage. This typically occurs when the homeowner is facing financial difficulties and cannot continue making mortgage payments. In order for a short sale to proceed, the lender must agree to accept the reduced sale price as full satisfaction of the mortgage debt, essentially allowing the seller to avoid foreclosure. Engaging in a short sale can be beneficial for both the seller and the lender. For the seller, it provides an opportunity to mitigate financial setbacks and avoid the more severe consequences of foreclosure. For the lender, it can be a way to recoup some of the losses that would occur if the property were to go through foreclosure and then be sold at an even lower price. The other options, while related to property sales, do not define a short sale accurately. For instance, selling a property at market value or for more than the mortgage amount does not involve the lender's acceptance of a loss, which is fundamental to a short sale. Additionally, a sale that occurs after foreclosure pertains to a different process and typically involves auctioning off the property rather than negotiating a sale price with the lender while it's still in the owner's possession.

8. What is the primary purpose of a property insurance policy?

- A. To provide liability coverage for personal injuries
- **B. To protect against financial loss due to property damage or loss**
- C. To satisfy mortgage requirements
- D. To serve as a legal document

The primary purpose of a property insurance policy is to protect against financial loss due to property damage or loss. This type of insurance is designed to cover the cost of repairs or replacement of insured property that has been damaged or destroyed due to various perils such as fire, theft, or natural disasters. Property insurance helps individuals and businesses safeguard their investments in buildings, personal property, equipment, and other valuable assets. By providing financial protection, property insurance can mitigate the economic impact of unforeseen events, ensuring that policyholders can recover from losses and maintain their financial stability. While liability coverage for personal injuries is an important aspect of certain policies, it is distinct from property insurance, which focuses specifically on property-related losses. Furthermore, while satisfying mortgage requirements can be a reason to obtain property insurance, it’s not the primary purpose of the policy itself. Finally, a property insurance policy does serve as a legal document outlining the terms of coverage, but this is secondary to its main goal of providing financial protection against property loss.

9. What is the special per occurrence limit for loss or damage to precious metals, stones, and other specified items under commercial crime coverage?

A. $1,000

B. $5,000

C. $10,000

D. $15,000

In commercial crime coverage, the special per occurrence limit for loss or damage to precious metals, stones, and other specified items is $5,000. This amount reflects the insurance industry's approach to risk associated with high-value items typically targeted for theft or loss. This limit is designed to provide a balance between offering some coverage for these valuable items while also managing the insurer's risk exposure given the higher potential costs associated with claims for losses in this category. Understanding this limit is crucial for businesses as they assess their coverage needs and evaluate the adequacy of their insurance policies concerning valuable assets. By knowing the specific limit, businesses can make informed decisions about additional coverage or risk management strategies that might be necessary given the value of their precious items. The other amounts provided in the choices do not align with the standard limit for commercial crime coverage, which specifically sets the limit at $5,000 for specified items like precious metals and stones.

10. The HO-3 homeowners policy provides what type of coverage?

A. Named peril coverage for the dwelling

B. Open peril coverage on the dwelling and broad form coverage on personal property

C. Limited coverage for both the dwelling and personal property

D. Standard peril coverage on the dwelling and open peril coverage on personal property

The HO-3 homeowners policy is designed to offer comprehensive protection for homeowners. It provides open peril coverage for the dwelling, which means that the policy covers all risks of physical loss or damage to the home, except for those specifically excluded in the policy. This approach offers broad protection to the structure of the house itself. In addition to this, the personal property within the home is covered under broad form coverage. This means that the policy covers a limited list of named perils, which are specifically delineated in the policy. Consequently, while the dwelling benefits from extensive open peril protection, the personal property is protected against a more restricted range of risks. This combination of open peril coverage on the dwelling and broad form coverage on personal property is what makes the HO-3 policy a popular choice among homeowners, as it balances comprehensive protection for the home with specified coverage for personal belongings.