REEDC New York Real Estate Salesperson Practice Test (Sample)

Study Guide

BY EXAMZIFY

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Questions

1. **What type of expense is a property manager's fee generally considered?**
   - **A. Predictable expense**
   - **B. Fixed expense**
   - **C. Variable expense**
   - **D. Controllable expense**

2. **What occurs when a mortgage is recorded?**
   - **A. The title to the property transfers**
   - **B. The mortgage becomes a matter of public record**
   - **C. The lender approves additional funding**
   - **D. The appraiser evaluates the property**

3. **What type of mortgage involves two or more parcels of real property pledged to secure payments of the note?**
   - **A. Wrap-around mortgage**
   - **B. Blanket mortgage**
   - **C. Subordinated mortgage**
   - **D. Shared-equity mortgage**

4. **What term describes the areas in a building that are not rent-generating but necessary for the operation of the building?**
   - **A. Dead space**
   - **B. Common areas**
   - **C. Lost areas**
   - **D. Support spaces**

5. **What is specific performance in real estate contracts?**
   - **A. A requirement for financial settlement**
   - **B. A court instruction to fulfill contractual obligations**
   - **C. A method to renegotiate contract terms**
   - **D. A type of real estate financing**

6. What is the term for the value assigned to a property for tax purposes?

A. Market value

B. Assessed value

C. Appraised value

D. Book value

7. What best describes the situation when a heating system in an apartment does not meet current tenant needs even though it is in good condition?

A. Depreciation

B. Functional obsolescence

C. Physical obsolescence

D. Market decline

8. What does it mean for a loan to be non-conforming?

A. The loan meets all federal guidelines

B. The loan is for large amounts exceeding standards

C. The loan has no restrictions

D. The loan is guaranteed by the government

9. Who are testers in real estate?

A. Individuals who perform market analysis

B. Professional appraisers assessing property value

C. Volunteers posing as buyers to uncover discrimination

D. Federal employees managing housing regulations

10. Who provides the Certificate of Occupancy (CO) for a building?

A. The city council

B. The local building department

C. The zoning board

D. The home inspector

Answers

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

Explanations

1. What type of expense is a property manager's fee generally considered?

A. Predictable expense

B. Fixed expense

C. Variable expense

D. Controllable expense

A property manager's fee is typically considered a variable expense because it can fluctuate based on the services provided and the proportion of occupancy of the property. Variable expenses are costs that can change with the level of business activity; in this case, if the property experiences more vacancies or if additional services are needed from the property manager, the fees can increase. This contrasts with fixed expenses, which remain constant regardless of business levels, and controllable expenses, which may refer to costs that a manager can influence directly. The distinction with predictable expenses is that while some aspects of property management fees may be estimated, they ultimately vary based on performance and specific management needs. Thus, categorizing the property manager's fee as a variable expense accurately reflects its nature in relation to the overall financial management of the property.

2. What occurs when a mortgage is recorded?

A. The title to the property transfers

B. The mortgage becomes a matter of public record

C. The lender approves additional funding

D. The appraiser evaluates the property

When a mortgage is recorded, it becomes a matter of public record. This process involves the documentation of the mortgage in the appropriate government office, typically at the county clerk or recorder's office. Recording the mortgage provides legal notice to the public regarding the lender's interest in the property, establishing priority over other claims against the property. This public recording is crucial because it protects the lender's rights and provides transparency in property ownership, ensuring that potential buyers or other parties interested in the property are aware of any encumbrances or liens. The other options do not accurately reflect what happens when a mortgage is recorded. The title to the property remains with the owner, and there is no transfer of ownership involved at the point of recording a mortgage. Additionally, the recording does not automatically result in the lender approving additional funding, nor does it involve an appraiser evaluating the property. These activities may be part of the mortgage process but are separate and distinct from the act of recording the mortgage itself.

3. **What type of mortgage involves two or more parcels of real property pledged to secure payments of the note?**

   A. Wrap-around mortgage

   B. Blanket mortgage

   C. Subordinated mortgage

   D. Shared-equity mortgage

A blanket mortgage is a financing option that allows a borrower to use two or more parcels of real estate as collateral for a single loan. This type of mortgage is particularly beneficial for developers or real estate investors who need to acquire multiple properties under one loan agreement, streamlining the borrowing process and potentially allowing for better terms compared to securing individual mortgages for each parcel. In a blanket mortgage, when one property is sold, a partial release of the mortgage may occur, which allows the specific property to be removed from the mortgage without affecting the loan secured by the remaining properties. This is advantageous for borrowers looking to manage multiple investments without the complication of numerous separate loans. The other options represent different types of mortgage arrangements but do not relate to using multiple properties as security in the manner that a blanket mortgage does.

4. **What term describes the areas in a building that are not rent-generating but necessary for the operation of the building?**

   A. Dead space

   B. Common areas

   C. Lost areas

   D. Support spaces

The term that accurately describes the areas in a building that are not rent-generating but necessary for the operation of the building is "support spaces." Support spaces include areas such as hallways, lobbies, stairwells, restrooms, and mechanical rooms. These spaces facilitate the functioning and access within the property but do not directly contribute to generating income through rent. Support spaces are crucial for tenants and visitors, providing essential services that support the overall operation and accessibility of the building, even though they do not produce rental income. Understanding the role of these spaces is important for landlords, property managers, and real estate professionals when evaluating the efficiency and functionality of a property. "Dead space" might imply areas that are completely unusable, while "common areas" generally refer to shared spaces that may have some rental potential in conjunction with another tenant. "Lost areas" is not a standard term used in real estate to describe these types of spaces, making "support spaces" the most appropriate choice.

5. What is specific performance in real estate contracts?

A. A requirement for financial settlement

B. A court instruction to fulfill contractual obligations

C. A method to renegotiate contract terms

D. A type of real estate financing

Specific performance in real estate contracts refers to a legal remedy where a court orders a party to fulfill their contractual obligations as specified in the agreement. It is typically sought in scenarios where monetary damages would not adequately compensate the injured party, especially in real estate transactions where the property is unique and cannot simply be replaced with money. When a buyer pursues specific performance, they are asking the court to compel the seller to complete the sale as originally agreed, rather than just awarding them financial compensation for a breach of contract. This reflects the principle that in real estate, the specific property is often viewed as uniquely valuable, and buyers may strongly desire the property itself rather than other forms of compensation. In contrast, while financial settlement is a part of many contracts, it does not encapsulate the essence of specific performance. Additionally, renegotiating contract terms is not what specific performance entails; it involves adhering to the original terms of the contract. Lastly, specific performance is not a type of financing, but rather a legal action taken when a contract is breached.

6. What is the term for the value assigned to a property for tax purposes?

A. Market value

B. Assessed value

C. Appraised value

D. Book value

The term assigned to a property for tax purposes is "assessed value." This is a value established by the local tax assessor's office, which is used to determine how much property tax the owner must pay. The assessed value typically differs from the market value, which reflects what the property would sell for in the current real estate market. Assessed value is often a percentage of the property's market value, depending on local regulations and guidelines. This value plays a key role in the calculation of property taxes, and it is essential for property owners to understand how it may affect their tax obligations. Market value, appraised value, and book value, while related to property valuation, serve different purposes and are not specifically connected to tax assessments. Market value is what buyers are willing to pay, appraised value is determined by a professional appraiser, and book value relates to the accounting value of the property on a company’s balance sheet.

7. What best describes the situation when a heating system in an apartment does not meet current tenant needs even though it is in good condition?

A. Depreciation

B. Functional obsolescence

C. Physical obsolescence

D. Market decline

Functional obsolescence refers to a situation where a property's features are outdated or no longer suitable for current market demands, even if they are in good working condition. In this case, the heating system in the apartment may be fully operational but does not meet the current needs of the tenant, such as providing adequate heating for modern lifestyles or energy efficiency. This disconnect between the property's physical attributes and what is expected or desired in the market leads to a perception of reduced value. This concept is critical in real estate appraisal and property management, as it highlights the importance of aligning property features with tenant expectations and contemporary standards. It underscores the necessity for property owners to stay attuned to advancements in technology and preferences in living conditions to maintain competitiveness in the rental market.

8. What does it mean for a loan to be non-conforming?

A. The loan meets all federal guidelines

B. The loan is for large amounts exceeding standards

C. The loan has no restrictions

D. The loan is guaranteed by the government

A non-conforming loan refers to a type of mortgage that does not adhere to the guidelines set forth by government-sponsored entities like Fannie Mae and Freddie Mac. These guidelines typically include limits on the loan amount, borrower credit score, and other criteria. When a loan is classified as non-conforming, it often involves larger amounts of money that exceed these established maximum limits. Since conforming loans adhere to specific standards, any mortgage that surpasses these standards is considered non-conforming. This categorization can make non-conforming loans riskier for lenders, as they may not have the same backing and guarantees that conforming loans do. As a result, such loans might involve different interest rates or terms, reflecting the greater risk. In contrast, loans that meet federal guidelines, have no restrictions, or are guaranteed by the government fall under different classifications, which do not apply to non-conforming loans. Understanding this distinction is crucial for both lenders and borrowers when navigating the real estate financing landscape.

9. Who are testers in real estate?

A. Individuals who perform market analysis

B. Professional appraisers assessing property value

C. Volunteers posing as buyers to uncover discrimination

D. Federal employees managing housing regulations

Testers in real estate are individuals who pose as prospective buyers or renters to identify instances of discrimination in housing practices. This practice is a key part of efforts to ensure fair housing laws are upheld and help to uncover discriminatory behavior based on race, gender, disability, or other protected classes. Their actions contribute to the enforcement of fair housing regulations by documenting evidence of discriminatory practices that may not be easily visible without such controlled observations. This approach serves as a vital tool for civil rights organizations and government agencies aiming to investigate and combat housing discrimination, ensuring that all individuals have equitable access to housing regardless of their background. By using testers, organizations can better understand the real-world implications of discriminatory practices and take necessary legal actions if needed against violators.

10. Who provides the Certificate of Occupancy (CO) for a building?

A. The city council

B. The local building department

C. The zoning board

D. The home inspector

The Certificate of Occupancy (CO) is an essential document that signifies a building's compliance with applicable building codes, zoning laws, and other regulations. It is provided by the local building department, which is responsible for ensuring that all constructions meet safety standards and are suitable for occupancy. When a building is completed or undergoing significant renovations, the local building department conducts inspections to verify that the construction meets the necessary regulations and safety standards. Once these checks are successfully passed, the building department issues the Certificate of Occupancy, allowing the property to be legally occupied. The involvement of the local building department is crucial, as they are the authority responsible for enforcing building codes and inspecting properties. Other entities, such as the city council or zoning board, deal primarily with legislative and zoning matters but do not issue Certificates of Occupancy. Home inspectors, while providing valuable assessments of a property's condition, are not involved in the official issuance of occupancy permits. This delineation highlights the specific role that the local building department plays in ensuring safe and compliant building practices.