Modern Real Estate Practice in Illinois, 6th Edition
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Chapter 23 Review Quiz

1. Nick agrees to purchase Greg's property for $285,500. Nick deposits the purchase price with Vera, and Greg deposits a warranty deed for the property with Vera. Vera is instructed to record the deed in Nick's favor when Greg shows good title to the property. Vera is also instructed to pay the purchase price, less some agreed prorations, to Greg when Nick has received the deed. This transaction is called

   A. provisional sale.
   B. escrow.
   C. installment sale.
   D. option.

2. At the closing, Fred's attorney informed him that he would be giving credit to Teri, the buyer, for certain accrued items. These items represent

   A. bills related to the real estate that have already been paid by the seller.
   B. bills related to the real estate that have not been paid as of the time of the closing.
   C. all of the seller's outstanding bills.
   D. all of the buyer's outstanding bills.

3. The Real Estate Settlement Procedures Act (RESPA) applies to the activities of

   A. licensed real estate brokers when selling commercial and office buildings.
   B. licensed securities salespeople when selling limited partnership interests.
   C. lenders financing the purchase of a borrower's residence.
   D. Fannie Mae and Freddie Mac when purchasing residential mortgages.

4. The details of a sales transaction are always governed by

   A. the wishes of the seller as expressed orally.
   B. the wishes of the buyer as expressed orally.
   C. the escrow instructions that both the seller and the buyer sign.
   D. the terms of the properly executed purchase contract.

5. At the closing, the real estate broker's commission generally appears as a

   A. credit to the seller.
   B. debit to the seller.
   C. credit to the buyer.
   D. debit to the buyer.

6. The condition of the seller's title is generally determined from a

   A. title commitment or title insurance policy.
   B. physical inspection of the property by the buyer.
   C. closing statement prepared by an escrow agent.
   D. escrow report prepared by an attorney.

7. The Real Estate Settlement Procedures Act (RESPA) provides that

   A. all real estate purchasers must receive their closing statements.
   B. real estate advertisements must include the annual percentage rate, including all charges.
   C. the borrower must be given an estimate of the closing costs before the time of the closing.
   D. real estate syndicates must comply with the disclosure of "blue sky" laws.

8. The accrued interest on an assumed mortgage loan is entered on the closing statement as a

   A. credit to the seller and a debit to the buyer.
   B. debit to the seller and a credit to the buyer.
   C. credit to both the seller and the buyer.
   D. debit to both the seller and the buyer.

9. As provided in a valid purchase contract, the real estate transaction must be closed. This means all of the following *EXCEPT* that the

   A. seller must clear the title so that the condition of the title complies with the terms of the contract.
   B. purchaser must pay the balance of the purchase price to the seller.
   C. broker must attend the closing in order to receive any commission.
   D. seller must deliver the deed to the purchaser.

10. The process by which expenses are handled at the settlement of a real estate transaction so that both the buyer and the seller pay their respective portions of the debts is called

    A. assessment.
    B. proration.
    C. balancing.
    D. reconciliation.

11. The Real Estate Settlement Procedures Act (RESPA) may apply to a loan assumption if the

    A. terms of the assumed loan are modified by the lender.
    B. lender charges less than $50 for the assumption.
    C. buyer must be qualified by the lender for the assumption to occur.
    D. seller does not want to be liable for the loan in the future.

12. The principal balance on an assumed mortgage loan is entered on the closing statement as a

    A. credit to the seller and a debit to the buyer.
    B. debit to the seller and a credit to the buyer.
    C. credit to both the seller and the buyer.
    D. debit to both the seller and the buyer.

13. The Real Estate Settlement Procedures Act (RESPA) is a regulation of the

    A. state government.
    B. federal government.
    C. Department of Housing and Urban Development.
    D. Department of Veteran Affairs.

14. Which of the following items is *NOT* usually prorated between the buyer and seller at closing?

    A. Recording charges
    B. Real estate taxes
    C. Rents
    D. Utility bills

15. The closing statement involves the debits and credits to the parties in the transaction. A debit is a(n)

    A. refund.
    B. expense.
    C. adjustment for an expense paid outside of closing.
    D. proration.

16. In a closing statement, an accrued item is a(n)

    A. item paid in advance.
    B. item that is unpaid but is due.
    C. prepaid expense.
    D. proration.

17. The Real Estate Settlement Procedures Act requires

    A. that the closing of a transaction be held within 90 days of the date of the sales contract.
    B. that disclosure be made of all closing costs prior to the closing.
    C. the lender to disclose the annual percentage rate the borrower will be paying.
    D. that lenders follow certain advertising procedures when advertising credit.

18. Which of the following is *NOT* a requirement of RESPA?

    A. Lenders must provide borrowers with a good faith estimate of closing costs.
    B. A uniform settlement form must be used at loan closings.
    C. The borrower may cancel the loan transaction within 5 days after settlement.
    D. No kickbacks may be paid to any party in connection with a loan transaction.

19. An example of a kickback that is prohibited by RESPA is

    A. a fee paid by Broker Anne to Broker Bob for referring a buyer to Broker Anne.
    B. a share of the commission paid by Broker Anne to her salesperson.
    C. a fee paid by a surveyor to a broker for a lead on a property to be surveyed.
    D. a flower arrangement that a salesperson sends to the buyer as a house warming gift.

20. Services offered by computerized loan origination (CLO) systems are permitted under RESPA as long as certain conditions are met. These conditions include all of the following *EXCEPT*

    A. the broker may charge whatever fee the broker determines is fair for the service.
    B. the borrower must pay whatever fees are charged for the service.
    C. the mortgage broker may pay a referral fee for the mortgage loan.
    D. the broker is required to disclose the existence of other loan products that are not part of the CLO.

21. Real estate firms are often affiliated with title insurance companies or mortgage brokers. These business arrangements are permitted by RESPA as long as

    A. consumers are unaware of these arrangements.
    B. consumer are required to use the services of the affiliated companies.
    C. the companies pay referral fees between them.
    D. the companies make a written disclosure of their relationship with one another.

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22. Which of the following best expresses the statutory method of proration?

    A. Yearly charge / 360
    B. Yearly charge/ 365 (366 in leap year)
    C. Yearly charge / 12
    D. Yearly charge / 30 x 12

23. State and county transfer taxes in Illinois are usually paid by

    A. the title company.
    B. the buyer.
    C. the seller.
    D. the county recorder of deeds.