Modern Real Estate Practice in Illinois, 6th Edition
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Chapter 3 Review Quiz

1. The foremost consideration in the purchase of a home is its affordability. What is the second?

    a. Construction specifications
    b. The age of the improvements
    c. The location of the property
    d. The landscaping and exterior

2. The real cost of owning a home includes certain costs or expenses that many people overlook. Which of the following is *NOT* such a cost expense of home ownership?

    a. the income lost on cash invested in the home.
    b. the interest paid on borrowed capital.
    c. maintenance and repair expenses.
    d. personal property taxes.

3. Most homeowner's insurance policies contain which of the following clauses?

    a. A property improvement clause
    b. A coinsurance clause
    c. A co-ownership clause
    d. A property devaluation clause

4. The Levines sold their vacation home for $188,000. If they made a profit of 10 percent, what was the original cost of their property?

    a. $169,200.
    b. $179,000.
    c. $179,200.
    d. $170,900.

5. In the event that a homeowner's insurance policy provides coverage for less than 80 percent of the full replacement cost of the dwelling, then the loss of the residence will be settled for:

   a. the market value of the property less the land value.
   b. the lowest repaid bid.
   c. either the actual cash value or the prorated repair cost.
   d. the total replacement cost.

6. Which of the following types of development combines office space, stores, and residential units in a single, vertical community?

   a. Mixed-use development
   b. Manufactured housing park
   c. Planned unit development
   d. Time-share community

7. Under the provisions of the 1997 Taxpayer Relief Act exclusion, what is the maximum allowable gain that may be claimed as tax-exempt by a couple filing jointly?

   a. $125,000
   b. $250,000
   c. $400,000
   d. $500,000

8. A basic homeowner's insurance policy does *NOT* protect against

   a. fire and lightening.
   b. earthquake and volcanic action.
   c. windstorm and hail.
   d. water damage due to faulty plumbing.

9. Federal income tax regulations allow a homeowner to reduce his or her annual taxable income by amounts paid for

   a. repairs and maintenance.
   b. hazard insurance premiums.
   c. real estate taxes.
   d. mortgage payment.

10. A borrower applied for a 30-year loan instead of a 25-year loan, in this situation, which of the following is true?

    a. The borrower must have at least a twenty-five percent down payment to negotiate a 30-year loan.
    b. The longer term mortgage will result in lower monthly payments.
    c. The borrower can only secure a 30-year mortgage if the borrower is purchasing a second home.
    d. The longer the term of the mortgage, the lower the interest rate.

11. A homeowner who wishes coverage greater than fire and extended coverage may choose a homeowner's policy that will protect personal property and following additional risk?

    a. Hurricane
    b. War or nuclear explosion
    c. Liability coverage
    d. Volcanic eruption

12. Mr. and Mrs. Horton have been living in their condominium at the shore for the past 4 years and leasing to a tenant the house that they bought 25 years ago. If they sell their house, how much of the capital gain will be taxable?

    a. 0 percent
    b. 40 percent
    c. 50 percent
    d. 100 percent

13. The value that an owner has in the property that exceeds the amount of the mortgage debt is called

    a. equality.
    b. escrow.
    c. surplus.
    d. equity.

14. Margie listed her real estate for sale at $100,000. If her cost was 80 percent of the listing price, what will her percentage of profit be when her real estate is sold for the listing price?

    a. 10 percent
    b. 15 percent
    c. 20 percent
    d. 25 percent

15. The philosophy behind an exchange is

    a. Income tax should not apply as long as a real estate investment remains intact
    b. A personal residence qualifies for tax deferment
    c. Increase depreciation deductions
    d. Marital rights need not be released

