Chapter 7 Multiple Choice Questions

1. A marketable title is one that
   a. a reputable title insurance company is willing to insure.
   b. is free and clear of all past, present and future claims that would cause a reasonable purchaser to reject such title.
   c. describes a title for which no defects are shown in the public records.
   d. is perfect of record.

2. In conducting a title search through the public records, one first searches
   a. backwards through the grantor index.
   b. forward through the grantor index.
   c. backwards through the grantee index.
   d. forward through the grantee index.

3. Who, in addition to the buyer, is most interested in the fact that title insurance has been purchased?
   a. The lending institution
   b. The real estate broker
   c. The seller
   d. The hazard insurance company

4. The recording laws of most states require that in order for a document to be filed, it must be
   a. witnessed by a notary public.
   b. acknowledged by a notary public.
   c. witnessed and acknowledged by an authorized person, such as a notary public.
   d. on transparency.

5. A title examination includes all except
   a. searching the grantor index.
   b. searching the grantee index.
   c. determining that the proper price is paid.
   d. searching tax records.

6. A compilation of all recorded documents that affect a given piece of real estate is known as a title
   a. opinion.
   b. insurance.
   c. abstract.
   d. deed.
7. A policy that insures the title received by the grantee against deficiencies that may have been in existence at the time the title was transferred is known as
   a. real property insurance.
   b. title insurance.
   c. title opinion.
   d. deed insurance.

8. Each state has established a ______ system that makes possible a search of a seller’s title.
   a. title opinion
   b. recording
   c. title insurance
   d. Torrens

9. Which of the following is not true of title insurance?
   a. The insured is charged a premium only once.
   b. The premium is payable when the policy is delivered.
   c. The policy protects only the named insured.
   d. The policy protects against past, present and future events.

10. The purchase of title insurance is a means of protecting a buyer’s interest in case the ______ is defective.
    a. grantee’s title
    b. grantor’s title
    c. grantee’s deed
    d. grantor’s deed

11. Title insurance policies developed as an expanded function of
    a. real estate lawyers and abstract companies.
    b. savings and loans.
    c. commercial banks.
    d. real estate brokers.

12. Which of the following is true of title insurance?
    a. The insured is charged a premium only once.
    b. Only the declared beneficiary is protected.
    c. The policy is transferable.
    d. The policy protects against title flaws arising in the future.
13. The Torrens system has not gained a wider acceptance in the United States because
   a. the system is mandatory.
   b. lawyers, abstractors and title insurance companies are opposed to the system.
   c. if certificates are lost, a new one is mailed immediately.
   d. of the low initial cost of registration.

14. Generally, the seller of a single-family residence pays which closing costs?
   a. The brokerage commission and the discount points
   b. The lender’s inspection fee and the brokerage commission
   c. The brokerage commission and the deed preparation costs
   d. The appraisal fee and the recording fees

15. The final step in the process of transferring title of real property from one party to
the other occurs when the deed is
   a. delivered.
   b. executed.
   c. signed.
   d. recorded.

16. Generally, the buyer must pay all of the following items in cash at closing except
   the
   a. loan origination fee.
   b. attorney’s fees for preparing the deed.
   c. appraisal fee.
   d. credit report fee.

17. Which of the following is not considered to be a buyer’s responsibility in bringing a
real estate transaction to completion?
   a. Removal of all encumbrances
   b. Obtaining financing
   c. Obtaining a title opinion
   d. Having the property surveyed

18. The buyer discovers restrictions of record by
   a. signing the sales contract.
   b. obtaining a title opinion.
   c. surveying the property.
   d. amortizing the loan.
19. At the time of closing, all of the following homeowner’s costs must be prorated by the buyer and the seller except the
   a. state and local taxes.
   b. hazard insurance premium if the policy is to be assigned.
   c. title insurance premium if the policy is to be assigned.
   d. monthly mortgage payment if the buyer assumes the seller’s loan.

20. On January 1, 1999, Smith paid $750 for a three-year hazard insurance policy. On March 31, 2000, Smith sold the property and transferred the insurance policy to Jones. At the closing, how much does Jones owe Smith for prepaid hazard insurance?
   a. $437.50
   b. $250.00
   c. $312.50
   d. $375.00

21. As part of a purchase, the buyer has taken out a $100,000 loan at 12% annual interest with payments of $1,050 per month. The closing is on July 15, but the first loan payment is not due until September 1st. What will the buyer owe for July’s interest?
   a. $125
   b. $750
   c. $500
   d. $250