Chapter 5 Multiple Choice Questions

1. A _______ is a legal document used to transfer ownership rights to real estate from one party to another.
   a. plat
   b. lease
   c. sales contract
   d. deed

2. Which of the following elements are not required for a deed to be valid?
   a. Names of the parties to the transfer
   b. Signature of the grantee
   c. Signature of the grantor
   d. Specification of the physical and legal interests conveyed

3. The covenant in a warranty deed whereby the grantor guarantees that he or she owns the property and has the right to convey the property is known as the covenant of
   a. seisin.
   b. habitability.
   c. conveyance.
   d. further assurances.

4. A deed that transfers any interest which a grantor may or may not have in a property without promising that the grantor actually has such an interest is called a(n) _______ deed.
   a. bargain and sale
   b. quitclaim
   c. unencumbered
   d. special warrantee

5. Some deeds contain covenants and warranties. A covenant is
   a. a claim against the grantor.
   b. an encumbrance of ownership.
   c. an agreement or promise.
   d. a defeasance of further assurance.

6. Which of the following does not have any bearing on the validity of the deed?
   a. Designation of the parties
   b. Legal description of the property
   c. Specification of the interest conveyed
   d. Amount of the consideration (as long as some consideration is included)
7. Traditionally, there are five covenants and warrantees in a warranty deed. Which of the following is **not** one of the five?
   a. Covenant against encumbrances
   b. Covenant of quiet enjoyment
   c. Covenant of seisin
   d. Covenant of quitclaim

8. When the ownership in real estate is being transferred from one party to another, which of the following must be done?
   a. The deed must be signed by the grantor
   b. The deed must be signed by the grantee
   c. The deed must be delivered to the grantor
   d. The deed must be recorded

9. Before a deed can be recorded, most states require that
   a. the deed be signed by the grantee.
   b. the deed be acknowledged by the grantor.
   c. the grantor must sign in presence of a witness who also signs.
   d. the grantor be a witness.

10. Once the deed is properly signed, it can be said to have been
    a. sealed.
    b. executed.
    c. delivered.
    d. drafted.

11. A general warranty deed assures the grantee that the grantor will execute any future documents needed to perfect the grantor’s title when which covenant is included?
    a. Covenant against encumbrances
    b. Covenant of seisin or ownership
    c. Covenant of quiet enjoyment
    d. Covenant of further assurances
12. The primary difference between a special warranty deed and a general warranty deed is that
   a. in a general warranty deed, the promises made by the grantor only apply to events that occurred during the grantor’s ownership of the property.
   b. in a general warranty deed, the promises made by the grantee only apply to events that occurred during the grantee’s ownership of the property.
   c. in a special warranty deed, the promises made by the grantor only apply to events that occurred during the grantor’s ownership of the property.
   d. in a special warranty deed, the promises made by the grantee only apply to events that occurred during the grantee’s ownership of the property.

13. The primary difference between a bargain and sale deed and a quit claim deed is that
   a. in a bargain and sale deed, the grantor does not necessarily claim to be the owner of the property, but is surrendering any rights he/she may have to the grantee.
   b. in a bargain and sale deed, the grantee is giving the grantor all of the traditional covenants and warranty in deed theory.
   c. in a quitclaim deed, the grantee is giving the grantor all of the traditional covenants and warranty in deed theory.
   d. in a quitclaim deed, the grantor does not necessarily claim to be the owner of the property, but is surrendering any rights he/she may have to the grantee.

14. From the grantee’s perspective, which of the following types of deeds offers the most protection?
   a. General warranty
   b. Special warranty
   c. Bargain and sale
   d. Quitclaim

15. The agency relationship between the property owner and manager is defined in a contract called a
   a. management agreement.
   b. listing agreement.
   c. compensation agreement.
   d. rent schedule.

16. Valid real estate leases do not require
   a. contractual capacity of the parties involved.
   b. consideration.
   c. that the use of the premises be for a lawful purpose.
   d. a complete legal description of the property.
17. As a tenant, you wish to turn over all the rights and responsibilities of your unexpired lease to a new tenant. By doing so, you are ______ your leasehold interest.
   a. releasing
   b. assigning
   c. subleasing
   d. substituting

18. The landlord is considered to have made an implied warranty that the premises are fit for use. This warranty is the warranty of
   a. occupancy.
   b. enjoyment.
   c. habitability.
   d. further assistance.

19. A type of lease designed to protect the lessor, where lease payments grow over time according to a schedule specified in the lease agreement, is known as
   a. a percentage lease.
   b. a re-appraisal lease.
   c. An escalation lease.
   d. a graduated lease.

20. Like all contracts, a lease becomes ______ when it is delivered and accepted.
   a. void
   b. valid
   c. voidable
   d. invalid

21. Which of the following would you not expect to find among the elements of a lease?
   a. Expiration date or termination procedure
   b. Names of the grantor and grantee
   c. Description of the premises
   d. Terms of the lease

22. A tenancy for a stated period
   a. is of an indefinite duration.
   b. may be terminated by either party at any time.
   c. provides the least legal protection.
   d. expires at the end of the stated term.
23. A tenancy from period to period
   a. is of an indefinite duration.
   b. conveys the property to the tenant for a stated period of time.
   c. may be terminated by either party at any time.
   d. provides the least legal protection.

24. A tenancy at will
   a. renews automatically every period.
   b. may be terminated by either party at any time with proper notice.
   c. conveys the property to a tenant for a stated period of time.
   d. allows the tenant to occupy the premises as long as he or she wills.

25. The most common form of compensation for property managers is
   a. a fee based on a percentage of gross income.
   b. a fee based on a percentage of the net income.
   c. weekly, monthly or annual salary.
   d. a fee based on a percentage of after-tax cash flow.

26. What type of lease typically has the longest duration?
   a. Ground
   b. Commercial
   c. Residential
   d. Industrial

27. In property management, the management agreement establishes an agency relationship between the owner of the property and the
   a. tenants.
   b. property manager.
   c. property manager and the tenants.
   d. maintenance staff.

28. When the lessee pays the operating expenses, the insurance premiums and the real estate taxes, the lease is a _______ lease.
   a. net net net
   b. net
   c. graduated-rent
   d. net net
29. A lease of property used for commercial purposes under which the rent payments are based on some percentage of sales made on the premises is called a _______ lease.
   a. percentage
   b. net net
   c. net
   d. step-up

30. A lease that is most commonly used in long-term rental of an entire building, where the rental payment increases or decreases over time based on the changing value of the leased property is best known as a _______ lease.
   a. percentage
   b. net lease
   c. reappraisal
   d. graduated-rent

31. The rent payments for a percentage lease are usually determined as a percentage of the
   a. gross sales.
   b. gross sales combined with a base rent.
   c. net sales.
   d. net sales combined with a base rent.

32. A renewal option protects the
   a. tenant.
   b. property manager.
   c. landlord.
   d. broker.

33. As a general rule for tenant selection, the property manager seeks _______ in residential tenants and _______ in commercial tenants.
   a. homogeneity, homogeneity
   b. heterogeneity, heterogeneity
   c. homogeneity, heterogeneity
   d. heterogeneity, homogeneity

34. _______ is generally not a legitimate reason for the landlord to enter the property without permission?
   a. Rearranging the furniture
   b. Repairing a burst water pipe
   c. Repairing some wiring
   d. Replacing the carpet
35. A ______ renewal clause allows for automatic renewal if neither party to the lease gives notice of termination.
   a. positive
   b. negative
   c. conditional
   d. standard

36. The property manager’s primary objective is to secure for the owner the
   a. highest gross return over the life of the property.
   b. shortest payback of the original investment.
   c. highest cash return on the property at the time of reversion.
   d. highest net return over the useful life of the property.

37. A graduated rent lease has scheduled payments of $10,000 per year for the first two years, with 6% increases for the remaining three years. What will the lease payment be for the fourth year?
   a. $11,236
   b. $10,600
   c. $12,000
   d. $11,000

38. Ed’s Furs pays rental payments of $1,200 per month plus 1.5% of gross sales over $18,000. What will Ed’s payment be when sales are $26,000 per month?
   a. $1,200
   b. $1,590
   c. $1,320
   d. $1,470

39. The covenant of quiet enjoyment provides the tenant with
   a. a promise from the landlord that the premises will be maintained in reasonable condition.
   b. the right to make alterations to the property without interference from the landlord.
   c. the right of exclusive possession of the property during the period of the lease.
   d. a promise from the landlord not to pre-lease the apartment to future tenants.