

Real Estate Exam Prep

Pennsylvania

John W. Fisher, Contributing Editor

Sixth Edition

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President: Dr. Andrew Temte
Chief Learning Officer: Dr. Tim Smaby
Executive Director, Real Estate Education: Melissa Kleeman-Moy
Development Editor: Rosita Hernandez

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Introduction

When you bought this book, you showed that you were serious about passing the exam and getting your real estate license. This book will help prospective licensees “exercise reasonable professional skill and care” (Rules Section 35.292(a)(1)) and “deal honestly and in good faith” (Rules Section 35.292(a)(2)).

If you practice and review key material, your test score will improve. This book is your key to exam success. The process is simple. Work your way through the practice questions; take your time and answer each one carefully. Then, check your answers by studying the answer key, where you’ll find both the correct answer to each question and an explanation of why the answer is correct.

The answer key features references to specific sections of Pennsylvania state law, including the following:

- Real Estate Licensing and Registration Act (the “Act”)
- Rules and Regulations of the Pennsylvania Real Estate Commission (the “Rules”)

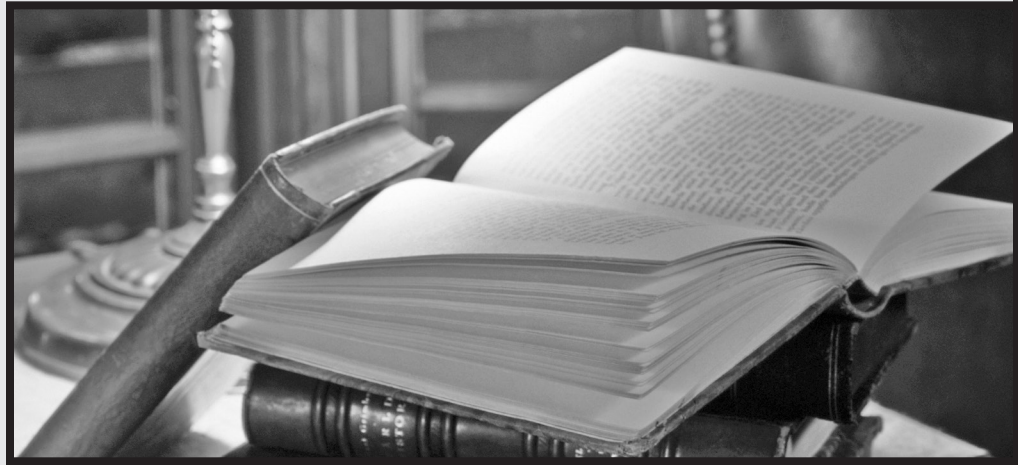
Remember that the practice questions in this book reflect, as closely as possible, the topic coverage of the state-specific portion of your exam only. To prepare for the balance of the test, you’ll need to use a national exam prep book. It takes study and hard work to pass the licensing exam; no single study aid will do the trick.

After you pass the real estate exam and receive your license, keep this text as a reference tool to assist you in your real estate practice. The content outlines in each chapter clarify concepts that are frequently misunderstood in actual practice. Such misunderstandings in practice might lead to disciplinary action or harmful litigation.

The licensing exam is not easy. For people whose test-taking skills are weak or who haven’t adequately prepared, the exam can be a nightmare. For those who have taken the time and effort to study and review, taking the test can be a positive and rewarding experience. Good luck!



1 UNIT



Use of the Manual¹

The intent of this manual is to prepare you to pass the Pennsylvania state portion of the real estate licensing examination compiled by the PSI Examination Services in Glendale, California. The manual addresses the following two primary aspects of test taking:

- The structure and format of the state exam
- The content of the state exam

Unit 1 provides specific information about the PSI organization, testing procedures, and the state test itself. Unit 2, Examination and Study Strategies, is intended to familiarize you with the format of the questions in the Pennsylvania PSI exam and suggests a strategy for optimizing test scores. Several studies have shown that given two examinees of equal ability and subject knowledge, the one who is more familiar with the form and style of the test will consistently score better than the other. Accordingly, Unit 2 discusses the mechanics and the strategies of a test. It explains, for example, the parts of a question and how a typical question is developed. It illustrates how to analyze a question for clues to the right answer and how to determine what skills the question is intended to measure. Particular attention is given to the types of questions used by PSI in Pennsylvania state real estate licensing examinations.

Unit 2 also presents a strategy for optimizing test results by using the diagnostic tests following each of the content outlines presented in Units 3 through 7.

Units 8 and 9 have simulated, multiple-choice, 40-question tests appropriate for both salespersons and brokers.

Unit 10 is especially for brokers, giving background, outline material, and tests covering the two areas of the PSI Candidate Information Bulletin state-specific portion content outline that indicates "broker only."

The glossary is a reference from the Rules and Regulations of the State Real Estate Commission, Subchapter B, General Provisions, 35.201. Definitions.

¹ Source: Guide to Passing the PSI Real Estate Exam Seventh Edition. Revised for Pennsylvania Real Estate Exam Prep Sixth Edition.

EXAMINATION INFORMATION

The PSI national portion of the exam consists of 80 to 90 multiple-choice questions, of which only 80 count. These questions are not Pennsylvania state specific. Salespersons and brokers are given two hours to complete this portion of the exam. (The *Guide to Passing the PSI Real Estate Exam* can be very helpful for the preparation of the national portion of the exam.) The PSI salesperson state exam consists of 30 to 40 multiple-choice questions, of which only 30 count. The broker state exam consists of 40 questions that count with some content areas for brokers only. Salespersons and brokers are given one hour to complete this portion of the exam.

All questions on the salesperson and broker examinations are multiple choice with four possible answers. (Formats are discussed in detail in Unit 2, Examination and Study Strategies.) Objective, or multiple-choice questions, are advantageous because they can accurately test several different levels of an applicant's knowledge in a limited amount of time and can be scored quickly.

Each answer has the same value—no penalty is imposed for wrong answers. This means that it will benefit you to answer all the questions on the exam as best you can.

Examinees must pass both the national portion and the state portion of the test. For Pennsylvania, the required percentage of correct answers is 75%. Upon completion of both portions of the test, the computer screen displays a score report. Each of these reports indicates the examinee's scores on each of the two major portions of the exam (national and state), as well as on the various content areas in each major portion. The scores represent the examinee's performance on a scale of 0 to 100. PSI does not allow an applicant to review the actual examination or the questions that were given.

All PSI exams are administered via computer. Candidates may fill out the special accommodation form if they need a paper examination. However, the candidate must attach a letter from a professional stating the reason for this request. Pennsylvania requires two forms of identification.

Standard instructions and procedures are part of the written exam booklet and will probably be read to you by a test supervisor before you begin the exam. When you get your test booklet, read the directions completely.

Taking the PSI examination by computer is simple; neither computer experience nor typing skills are required for taking the test, which requires you to use fewer than 12 keys. Upon being seated at the computer terminal, you will be prompted to confirm your name, identification number, and the examination for which you are registered.

Prior to starting the exam, an introduction to the computer and keyboard appears on the screen. The time allowed for this introduction will not count as part of your exam time.

The introduction includes a sample screen display telling you to press 1, 2, 3, or 4 to select your answer or to press "?" to mark for a later review. You then press the enter key to record your answer before moving on to the next question. You may change your answer as often as you like before pressing the enter key. Note that

during the examination, the top of the screen displays the time remaining for your examination and is updated as you record your answers. If you have time remaining after you have answered every question in the examination, you will be given the opportunity to review all of the questions in the examination. You will also have the choice of reviewing only those questions that you marked for review or ending your examination and seeing your results. You may change your answers during the review options, and you may repeat the review options as time allows.

The whole basis of the state-specific test comes from the following four documents only:

- *Real Estate Licensing and Registration Act 15*, State Real Estate Commission, Commonwealth of Pennsylvania, Harrisburg, PA, www.dos.state.pa.us/state.
- *Rules and Regulations, Pennsylvania Code title 49, Professional & Vocational Standards, Unit 35*, State Real Estate Commission, Commonwealth of Pennsylvania, Harrisburg, PA, www.pacode.com/secure/data/049/unit35/chap35toc.html.
- *The Pennsylvania Human Relations Act, February 1997*, Pennsylvania Human Relations Commission, Harrisburg, PA, http://portal.state.pa.us/portal/sever.pt/community/law_legal_resources/18980/pennsylvaniahumanrelationsact/725567.
- *The Pennsylvania Real Estate Sellers Disclosure Act*, www.phic.info/SB1032140.pdf.

NOTE: The vast majority of questions come from material in Real Estate Licensing and Registration Act 15 and Rules and Regulations. Although the Pennsylvania Human Relations Act and the Pennsylvania Real Estate Seller's Disclosure Act are listed as sources, very few questions are generated from them. Only one reference to the Pennsylvania Human Relations Act is contained in the PSI guide and only one indirect reference comes for the Pennsylvania Real Estate Seller's Disclosure Act.

SALESPERSON EXAMINATION

PSI Test Specifications for the State Exam

In the Pennsylvania state portion of the real estate licensing examination, PSI has defined its testing priorities and outline as follows:

Real Estate Commission (Salesperson: 3 questions; Broker: 3 questions)

1. Duties and powers
2. Complaints, investigations, hearings, and appeals
3. Real Estate Recovery Fund

Licensure (Salespersons: 6 questions; Broker: 8 questions)

1. Activities requiring licensure
2. Types of licenses-standard or reciprocal
3. Eligibility for license
4. License renewal and reactivation
5. Change of employment
6. Exclusions from licensure
7. Suspension and revocation

Regulation of Conduct of Licensees (Salesperson: 21 questions; Broker: 29 questions)

1. Advertising
2. Broker/Salesperson relationship
3. Agency relationships
4. Compensation
5. Duties of Licensees generally
6. Prohibited conduct
7. Disclosures
8. Documents, contracts, and forms
9. Funds and accounts
10. Office requirements and inspections (Broker only)
11. Pennsylvania Human Relations Act
12. Time-Shares

Complete information about testing procedures is provided in the *Candidate Information Bulletin*, which is available online at www.psiexams.com, by mail from PSI at 3210 E; Tropicana, Las Vegas, NV 89121, or by calling 800-733-9267.

2 UNIT



Examination and Study Strategies¹

The PSI real estate examinations are achievement tests that candidates must pass before they can work as salespersons or brokers in their states. An achievement test measures an individual's proficiency in a given field. The ultimate objectives of the license exam are to maintain the standards of the industry and to protect the public from persons not qualified to practice real estate sales and brokerage. The exam, therefore, tests

- the knowledge applicants have gathered through license-preparation courses and individual study, and
- the ability of the applicants to use that knowledge in real estate applications.

PREPARING FOR THE EXAM

Mental and Physical Preparation

Multiple-choice tests demand a special type of mental preparation. While memorizing definitions, terms, and formulas, keep in mind that some questions also will require you to apply your knowledge to novel situations. Concentrate on real estate principles as you study, and try to apply the principles and facts to real-life situations.

An excellent method of preparing for an exam is to take similar tests prior to the actual exam. You can gain important percentage points simply by being an experienced test taker. The more similar to the actual exam the practice test is in content and format, the more you will benefit. This is the strategy behind the presentation of the diagnostic tests following each of the content outlines presented in Units 3 through 7, and the simulated state exams presented in Units 8 and 9.

¹ Source: Guide to Passing the PSI Real Estate Exam Seventh Edition. Revised for Pennsylvania Real Estate Exam Prep Sixth Edition.

Your attitude is at least as important as your metabolic state. You should be prepared, determined, and positive. A small amount of anxiety is natural—it can even help you do your best; but too much anxiety is a handicap.

Taking the Exam

Upon checking in for the examination, you will be required to show the necessary identification. (Two separate pieces of ID—one of them government-issued and with a photo—are required.). You may not take purses, bags, water, or food into the test room. Cell phones must be left in the car. The proctor will then present the candidate information screen. Review the information and ensure its accuracy, and immediately report any errors.

A major cause of test errors is simply failure to think. Many tests measure judgment and reasoning, as well as factual knowledge. Always try to choose the *best* answer to a question; more than one alternative may be partially correct. Do not look for trick questions; choose the most logical answer to the premise of each question. Statistically, your first answer is likely to be the correct answer, so do not change it unless you are absolutely sure you are incorrect.

Words used in the questions will have their standard meanings unless they are special real estate terms. It sometimes helps to rephrase a question. Always pick the best answer.

EXAMPLE: When the court orders a payment to be made from the Real Estate Recovery Fund owing to the improper activities of a licensee, what happens to the licensee?

1. The license is automatically suspended as of the date of the payment.
2. The Commission takes no further action against the licensee.
3. The licensee's license is automatically revoked.
4. The licensee is subject to a fine and maintains his licensee.

In order to select the correct answer, which is answer 1, you need to know what the Recovery Fund is and the consequences if it is used. You also need to know the true meanings of *suspend* and *revoke*. Even though the question does not specify that there is also a 10% per annum penalty, the BEST answer is still 1.

Pacing

One should work as rapidly as possible without sacrificing accuracy. Budget your time before you begin the exam. Plan on having more than half the questions answered before half the exam time has elapsed.

DEVELOPING TEST QUESTIONS

The PSI exams are the result of collaboration between real estate experts and educators. How the questions are organized and how many questions are associated with each topic of the exam were covered in Unit 1. This unit discusses the mechanics of test building.

EXAMPLE: When advertising real property for sale, real estate salespersons

1. need only include their personal phone number.
2. may simply give a phone number to call for more information.
3. must include the name of their employing broker in the advertisement.
4. must identify the location of the property.

The answer is 3. This is a knowledge question—another type of question that tests your ability to apply knowledge to specific real estate situations. Nevertheless, all of the questions are multiple choice.

A good strategy is to answer the knowledge questions first, and then go back and answer the application questions.

The Stem

The first step in developing a question is to write the *stem or lead*. The stem provides all the information necessary to determine the correct response. The stem can be an incomplete statement, as in the preceding example, or a question.

EXAMPLE: May a licensed real estate salesperson collect a referral fee for construction, repair, or inspection services utilized by a consumer as a result of the licensee's service?

1. Yes, if the salesperson provides the consumer with a written disclosure of the referral fee or commission at the time the salesperson first advises the consumer that the service is available, or when the salesperson first learns the consumer will be using the service
2. Yes, but only if the licensed salesperson is also an owner or employee of the firm providing the construction, repair, or inspection service
3. No, because the real estate salesperson may never receive compensation from anyone other than the employing broker
4. No, because the consumer is required to independently select providers of services related to the real estate transaction

The answer is 3. The law emphatically states that a salesperson may never be paid directly by anyone other than by their employing broker. However, if their broker gives a consumer a written disclosure prior to any work being done that clearly states the broker's financial interest, the salesperson may assist in the referral but the fee is paid to the broker, who then pays the salesperson.

The Alternatives

The alternatives (distractors) are written with the correct keyed response embedded among the choices. In the PSI exam, the alternatives are presented in multiple-choice format with four separate alternative answers. In this format, you are asked to consider four possible answers, alone and in combination.

EXAMPLE: An unlicensed individual who engages in activities for which a real estate license is required is subject to which penalty upon conviction for a first offense?

1. A fine not to exceed \$500
2. A fine not to exceed \$100 and one-year imprisonment
3. A civil penalty of \$5,000 in addition to other penalties provided by law
4. A fine to exceed \$5,000 and a mandatory prison term not to exceed five years

The answer is 1. There is a combination in the law, but it is for \$500 or imprisonment not exceeding 3 months, or both. This question is filled with combination distracters.

Superfluous Facts

Exam questions frequently contain superfluous facts that are not needed to answer the questions.

EXAMPLE: A broker is employed as a property manager. The building owner and the broker agree that the building's air-conditioning system needs to be replaced, and the broker is authorized to contract for the work to be done. Without the owner's knowledge, the broker and the contractor chosen to do the work agree that, as a condition of receiving the contract, the contractor will install central air-conditioning in the personal residence of the broker at no charge to the broker. Could this action result in disciplinary action against the broker by the Pennsylvania Real Estate Commission?

1. No, because the broker has been authorized by the owner to contract to have the work done
2. Yes, because accepting any undisclosed compensation or profit for expenditures on behalf of the owner is a violation of state law
3. Yes, because only the owner is authorized to contract for work to be done on the building he owns
4. No, because terms of the contract between the broker and contractor are not an issue of concern to the Commission

The answer is 2. Receiving an undisclosed commission, rebate, or profit is a prohibited act. The long story here is presented to distract you.

Math

There are no calculations on the state exam, but many questions ask about numbers. Dollars, days, months, and years appear throughout the state exam.

EXAMPLE: A real estate licensee must notify the Pennsylvania Real Estate Commission of the conviction of a felony within

1. 5 days.
2. 10 days.
3. 15 days.
4. 30 days.

The answer is 4. You either know this or you do not.

Reading Comprehension

Another type of question you may find on the test requires that you read each word extremely carefully for comprehension.

EXAMPLE: A broker signs a three-month exclusive listing agreement with a seller. The agreement contains the following clause: "If the property has not been sold after three months from the date of this signing, this agreement will automatically continue for additional three-month periods thereafter until the property is sold." In Pennsylvania, this clause is

1. legal because it contains a reference to a specific time limit.
2. illegal.
3. illegal if there are more than three renewal periods.
4. legal because the renewal periods are for less than one year.

The answer is 2. There are many characteristics which listings must have and many they may not have. Here, the question tries to trick you about the necessity to be within a year and the necessity to have a term on every listing. However, the important prohibition listed here is that no exclusive listing may have an automatic renewal clause.

Value Judgments

A few questions on the exam may require you to make value judgments.

EXAMPLE: Under certain circumstances, which of the following agreements may be oral?

1. Exclusive agency listing
2. Open listing
3. Exclusive right-to-sell listing
4. Exclusive buyer agency listing

The answer is 2. All exclusive listings must be in writing. The open listing may be oral, even though it must have a memorandum of listing, in writing, accompanying it.

Best Answer

You will frequently be asked to choose the best answer from alternatives when the ideal answer is not present.

EXAMPLE: In a cooperating broker transaction, when the seller is represented by a listing broker and the buyer is represented by a broker acting as a buyer's agent, which broker holds the buyer's earnest money deposit in an escrow account?

1. The listing broker always has the duty to hold the earnest money deposit on behalf of the seller.
2. The broker representing the buyer is required to hold the buyer's earnest money deposit.
3. With appropriate notices to buyer and seller, either broker may assume the duty to hold the earnest money deposit in an escrow account.
4. Because of the conflict of interests, the earnest money deposit should be held by a disinterested third party.

The best answer is 3. The rules and regulations do not specify who retains an earnest money deposit in an escrow account. More often than not, it is the listing broker. But the best answer is either.

HOW TO ANALYZE A QUESTION

Apparent Content

In general, the PSI exams are designed to measure your real estate knowledge and skills. Multiple-choice questions can test much more than your recall of specific facts. The PSI exam will, in fact, test how well you understand a given concept; whether you can apply rules to real-life situations; and how well you can analyze, synthesize, and evaluate information, then arrive at a correct conclusion. If you can determine what ability the question is trying to measure, it will help you become a more effective test taker. The levels of skill the PSI exam seeks to measure are illustrated by the following examples.

EXAMPLE 1: In addition to all other fees, any person receiving an initial license may pay how much into the Real Estate Recovery Fund?

1. \$5
2. \$10
3. \$25
4. \$64

The answer is 2. This type of question is an example of *recall* or recognition. The point of the question is to find out if you know this fact about the Recovery Fund—logic does not help in determining the answer. The factual question is the easiest type to recognize.

EXAMPLE 2: Unless the parties to the agreement of sale agree otherwise, earnest money deposits received by a broker on behalf of the principal must be deposited in an escrow account

1. three days after receiving the offer.
2. three days after obtaining all signatures on the contract.
3. five working days after receiving the offer.
4. by the end of the next business day following its receipt in the office where the escrow records are maintained.

The answer is 4. This type of question seeks to measure your understanding of the concept of escrow deposits. *Comprehension questions* such as this often require you to identify real estate principles, laws, or practices.

EXAMPLE 3: In Pennsylvania, representation agreements that obligate the buyer to pay a fee

1. must be in writing.
2. must be on specific forms approved by the Pennsylvania Real Estate Commission.
3. are not regulated under the license law.
4. are not permitted, because only sellers pay fees for real estate services.

The answer is 1. *Application questions* such as this are one level higher than comprehension questions. In this question, you must apply your knowledge of agency representation.

EXAMPLE 4: A salesperson remains inactive without renewing his license for over five years. Before his license will be reissued, the applicant must

1. complete 14 hours of mandatory continuing education with no exam requirement.
2. complete 60 hours of coursework and pass the salesperson's exam.
3. submit to and pass the salesperson's license examination.
4. successfully complete the employing broker's training program.

The answer is 3. At this point, you are being tested not only on the concept of an inactive license, but also on your ability to weigh each of the alternatives and come up with the best answer. The law says nothing about a required 14 hours of continuing education, but it specifically says that the salesperson must retake the salesperson's exam. Brokers must always supervise their active licensees, and 60 hours of coursework are only required when one is first going for a license. *Analysis* items gauge your ability to identify parts of a whole. You may have to differentiate between reasons or indicate the relative importance of all facts.

EXAMPLE 5: The listing agreement with a seller has expired, and the seller lists with a different brokerage firm. The original listing salesperson now represents a buyer interested in the seller's property. The original listing agent

1. is a dual agent and must get permission from both parties.
2. cannot disclose to the buyer information about terms acceptable to the seller that were received during the listing period.
3. cannot disclose to the buyer information about the physical condition of the property.
4. cannot represent the buyer.

The answer is 2. *Evaluation questions* such as this one test your ability to determine the best solution or to judge value in some manner. Often, you must use recall, comprehension, analysis, and synthesis to arrive at the answer.

Studies show that items testing the lower levels of cognition (recall or recognition) are easier than application, comprehension, and higher-level questions. However, items testing the higher cognitive functions often can be solved by using general intelligence rather than specific real estate knowledge. Your score can be improved simply by exercising logic. You can turn this to your advantage by reasoning through difficult problems using the following seven steps:

1. Read the items carefully to determine the general subject that the item is testing and exactly what is asked.
2. Reread the question for essential facts and qualifiers.
3. Eliminate answers that you know are incorrect.
4. Rephrase the problem (often helpful).
5. Determine what principles or formulas are necessary and how to solve the problem.
6. Apply relevant information to arrive at a solution.
7. Reread the question and check the answer.

Although this logical process may seem long or complicated, your mind will accomplish it automatically within a few seconds once you train yourself to think or reason through questions.

EXAM STRATEGY

Many people study diligently and simply show up at the examination site without having given any thought to a strategy for taking the test. To maintain your confidence, poise, and positive mental attitude, you should start the examination with a game plan.

We suggest that you develop your own strategy for completing the test. The following is an example of an exam strategy:

Read each question once to determine the particular subject matter of the question. Read the question a second time, and concentrate on determining the correct response. If you are uncertain of the correct answer, eliminate obviously incorrect responses. If you still are uncertain of the single best answer, mark the question for review and move on to the next question. By doing this, you divide the test into the following two parts:

- The part you know, which you answer quickly and efficiently and remove from further consideration
- The part you do not know but have managed to isolate, to which you can devote the remainder of your test time

Multiple-choice items often test not only your knowledge of specific points, but also your ability to relate other information to the point. Many important topics have more than one question allotted to them. The correct answer to one question often can be found in some portion of another, so jot down the numbers of the questions that may contain clues. This will help in rechecking answers or answering questions you skipped.

By developing an exam strategy similar to the following, you should have command of the examination:

- Remember that questions are industry-related; know the vocabulary.
- Read all questions and answers thoroughly before choosing the best answer.
- Eliminate answers that are incorrect.
- Do not go back and change answers; do not second-guess yourself.
- First, complete the questions to which you know the answers, then return to the questions of which you are unsure.
- Psychologically prepare yourself.

STUDY STRATEGY

The following gives you a strategy for studying and incorporating the diagnostic tests and outlines of concepts to understand in Units 3 through 7.

Units 3 through 7 correspond to testing areas on the PSI exam for salesperson: Real Estate Commission; Licensure; Advertising, Agency, and Compensation; Duties of Licensees, Prohibited Conduct, and Disclosures; and Documents, Contracts, and Forms, Funds and Accounts, Human Relations Act, and Time-Shares. Each unit begins with an outline of concepts to understand within the subject area. This is followed by the diagnostic test, answer key, and a test score box. Take the diagnostic test and analyze your results before reviewing the content outline. If your progress score suggests that you need improvement, use the test results to establish your priority areas for study.

Remember that the outline format of the concepts is designed primarily to organize your real estate knowledge concisely. If you are having difficulty with a particular topic, consult real estate practice and theory texts for a comprehensive explanation of the topic. *Modern Real Estate Practice in Pennsylvania* provides a solid core of information.

How to Use the Progress Score

After completing and correcting the diagnostic test, count the number of questions missed and enter that number in the box under Your Score after Total Wrong. Then, subtract the number of incorrectly answered questions from the total points. Finally, analyze your results by finding where your score of correct answers falls in the Range column; the rate corresponding to your score describes your progress. Your score will fall under Good, Fair, or Needs Improvement.

EXAMPLE :

REAL ESTATE COMMISSION			
Rating	Range	Your Score	
Good = 90% to 100%	9–10	Total Number	10
Fair = 70% to 80%	7–8	Total Wrong	–2
Needs improvement = Lower than 70%	6 or less	Total Right	8

Passing Requirement: 6 or Better

If your score on a diagnostic test is rated Good, this area is one of your strengths. However, we suggest that a student should strive for 90% before taking the actual exam. A rating of Fair or Needs Improvement in a subject suggests this is an area on which you need to concentrate.

Developing a Strategy for Studying

After you have pinpointed the areas that need particular study, you can begin studying the material in the concepts-to-understand outline. To increase the effectiveness of your study time, we suggest that you follow these rules.

Organize your study time. Educators suggest that regular short study periods are better than lengthy cram sessions. You should study when you are at your best mentally and physically; this may be early in the morning for some people, and in the evening for others. The following chart will help you organize your study time in relation to the specific areas on the examination.

Scheduled Hours for Study								
National Exam	M	T	W	Th	F	Sa	Su	(M)
Property Ownership	x							
Land Use Controls and Regulations	x							
Valuation and Market Analysis		x						
Financing		x						
Laws of Agency			x					
Mandated Disclosures			x					
Contracts				x				
Transfer of Title				x				
Practice of Real Estate					x			
Real Estate Calculations					x			
Specialty Areas					x			
						test	test	test
State Exam	M	T	W	Th	F	Sa	Su	(M)
Real Estate Law	3	4	5	6	7	8	9	10 Brokers

Study in depth. You cannot simply read the text in preparation for successful completion of the exam; you must arrive at a thorough understanding of the subject matter. This can be achieved by writing a sample test question for yourself about the paragraph you have just read. It is a good practice to outline the thoughts of the paragraph in your own words or develop relationships between items. In other words, create mental images that will help you recall difficult concepts. Acronyms are useful when memorizing a series of items. (For example, the six duties that an agent owes to a principal are "take COAL to DC": care, obedience, accounting, loyalty, disclosure, and confidentiality.) During this stage, you should work alone.

Regularly review material studied. In many cases, this can be accomplished by having a study partner assist you in reviewing your knowledge of vocabulary words, concepts, and relationships. This also can be achieved by taking regular exams on the subject matter. The following are some other tips:

- Make flash cards with terms on the front and definitions on the back.
- Tape-record terms: say the term, pause, and then give the definition.
- Encourage group or one-on-one discussion.



3 UNIT



Real Estate Commission

OUTLINE

I. DUTIES AND POWERS

A. Pennsylvania State Real Estate Commission

1. Commissioner of Professional and Occupational Affairs
2. Director of the Bureau of Consumer Protection
3. Three members at large
4. Five brokers practicing for at least 10 years
5. One cemetery broker practicing in sales for at least five years

B. All are chosen by the governor for staggered five-year terms

C. Quorum (majority) needed to do business

D. Meet regularly and with 15-days public notice for public meetings

1. Harrisburg
2. Philadelphia
3. Pittsburgh

E. Specific duties and powers

1. Issue licenses and registration certificates
2. Approve schools

3. Examine applicants
4. Promulgate (enact) regulations
5. Establish requirements for biennial continuing education
6. Collect fees
7. Report to legislature and governmental committees

II. COMPLAINTS, INVESTIGATIONS, HEARINGS, AND APPEALS

A. Commission may act

1. upon its own motion
2. upon verified complaint in writing from the Public, or
3. upon complaints from other government entities such as the Human Relations Commission.

B. Commission may hold a hearing for

1. suspension of a license,
2. revocation of a license,
3. imposition of fines up to \$1,000, or
4. both suspension of a license and an imposition of fines up to \$1,000, or revocation of a license and imposition of fines up to \$1,000.

C. Commission may fine for acting without a license

1. \$500 or three months in prison or both for first time offenses; or
2. for subsequent offenses, \$2,000–\$5,000 or one to two years in prison or both.

D. Investigations or hearings held

1. By Commissioners
2. By duly authorized representatives
3. According to Pennsylvania Code with due process for the accused

III. REAL ESTATE RECOVERY FUND

A. Licensees' responsibility

1. \$10 at each initial licensing
2. Additional \$10 if fund drops below \$300,000
3. Bring up fund with new assessment to \$500,000 or above

B. State's responsibility

1. Treasurer administers the fund
2. Fund is invested and interest and dividends go to fund only

C. Fund applied

1. Fraud, misrepresentation, or deceit of licensee
2. \$20,000 limit per claim
3. \$100,000 maximum of claims against a licensee
4. Final judgment within a year necessary
5. License is suspended if applied
6. Payback necessary plus 10% per annum to restore a suspended license
7. Recovery fund must be referenced in all major documents

DIAGNOSTIC TEST

1. In order to become a member of the Pennsylvania Real Estate Commission, a candidate must
 1. be appointed by the governor.
 2. be endorsed by the state and local associations of REALTORS®.
 3. be a licensed broker or salesperson actively engaged in the real estate business.
 4. post a surety bond in the amount of \$10,000.
2. A broker is found guilty of fraud or misrepresentation and ordered to pay monetary damages to a consumer. What is the time frame within which the injured party may file a claim for payment from the real estate recovery fund?
 1. One year after the alleged violation occurred
 2. Three years after the alleged violation occurred
 3. One year after termination of the proceedings in connection with the judgment awarded to the consumer
 4. Three years after the date on which a professional relationship of trust and accountability commenced between the broker and the consumer
3. The maximum compensation that will be paid from the real estate recovery fund to satisfy claims against a licensee is
 1. \$100,000.
 2. \$10,000.
 3. \$25,000.
 4. \$5,000.
4. Which statement about the real estate recovery fund is *TRUE* ?
 1. A buyer may apply directly to the fund to cover the cost of necessary repairs to the property because the licensee failed to disclose a defect.
 2. All brokers and salesperson licensees pay an assessment of \$10 at each renewal period to fund the recovery fund.
 3. Brokers may apply to the fund for payment of referral fees from out-of-state brokers.
 4. An agreement of sale must contain disclosure language advising the parties of the existence of the fund with a phone number to call for complete details.
5. How are members of the Pennsylvania Real Estate Commission selected?
 1. Public election
 2. By a committee of the state association of REALTORS®
 3. Election by real estate licensees
 4. Appointment by the governor
6. How many members of the Pennsylvania Real Estate Commission are required to be licensed real estate brokers at the time of their appointment?
 1. 9
 2. 5
 3. 6
 4. 11
7. The primary purpose of public meetings held by the real estate commission is to
 1. solicit from members of the public their suggestions, comments, and objections about real estate practice in Pennsylvania.
 2. inform licensees about changes in commission policies.
 3. conduct disciplinary proceedings involving licensees in a forum and manner available to members of the public.
 4. allow special interest groups and professional organizations to influence commission rulemaking.

8. The Pennsylvania Real Estate Commission may undertake an investigation of a licensee based on all the following grounds *EXCEPT*
 1. its own initiative.
 2. a random selection of licensees currently active.
 3. a motion from the members of the commission.
 4. a written complaint submitted by a consumer.
9. An individual is found guilty of engaging in business as a broker or salesperson without being properly licensed. The penalty for the first offense includes a fine of up to
 1. \$5,000 and imprisonment for a maximum of two years.
 2. \$1,000.
 3. \$1,000 or three months in prison.
 4. \$500, imprisonment for a maximum of three months, or both.
10. What is the maximum penalty that may be imposed on an individual found guilty for the second time of engaging in the real estate business without a license?
 1. Imprisonment for three months
 2. A fine of \$1,000
 3. A fine of \$5,000 and imprisonment for a period of two years
 4. A fine of \$2,000 and imprisonment for one year

ANSWER KEY

1. 1 The answer is be appointed by the governor. The governor appoints members to the Pennsylvania Real Estate Commission (202(a)). No endorsement from any professional organization is required, nor is there any requirement regarding posting a surety bond. Salesperson licensees are not qualified to serve on the Commission.
2. 3 The answer is one year after termination of the proceedings in connection with the judgment awarded to the consumer. A claim for payment from the recovery fund must be made no more than one year after the termination of the proceedings, including reviews and appeals in connection with the judgment (803(b)(4)).
3. 1 The answer is \$100,000. The liability of the recovery fund may not exceed \$20,000 for any one claim and may not exceed \$100,000 per licensee (803(d)).
4. 4 The answer is an agreement of sale must contain disclosure language advising the parties of the existence of the fund with a phone number to call for complete details. Commission rules provide that every agreement of sale must contain specific language regarding the existence of the recovery fund (35.333(a)(9)). The recovery fund is available to consumers only after they have secured a final judgment against a licensee. Licensees do not pay fees at each renewal; they are assessed an amount to be paid at the time of original license application.
5. 4 The answer is appointment by the governor. Each member of the Pennsylvania Real Estate Commission is appointed by the governor (202(a)). The members are not selected by REALTORS® or elected by the public or real estate licensees.
6. 2 The answer is 5. The Pennsylvania Real Estate Commission must include five members who are, at the time of appointment, licensed and qualified brokers under the existing law (202).
7. 1 The answer is solicit from members of the public their suggestions, comments, and objections about real estate practice in Pennsylvania. In addition to regularly scheduled meetings, the commission holds public meetings to solicit from members of the public suggestions, comments, and objections about real estate practice in this commonwealth (202(e)).
8. 2 The answer is a random selection of licensees currently active. The commission may not investigate a random selection of licensees. The Pennsylvania Real Estate Commission may commence an investigation of a licensee's conduct upon its own motion as well as upon receipt of a verified complaint in writing from a consumer (604).
9. 4 The answer is \$500, imprisonment for a maximum of three months, or both. License law provides that any person who engages in business without being licensed is subject to criminal prosecution. The first offense is a summary offense punishable by a fine not exceeding \$500, imprisonment not exceeding three months, or both (303 RELRA).
10. 3 The answer is a fine of \$5,000 and imprisonment for a period of two years. Specifically, the penalty for conviction for a second or subsequent offense is a fine of not less than \$2,000 but not more than \$5,000 and imprisonment for not less than one year but not more than two years, or both.

TEST SCORE

REAL ESTATE COMMISSION			
Rating	Range	Your Score	
Good = 90% to 100%	9-10	Total Number	10
Fair = 70% to 80%	7-8	Total Wrong	_____
Needs improvement = Lower than 70%	6 or less	Total Right	_____





Licensure

OUTLINE

I. ACTIVITIES REQUIRING LICENSE

A. One must be actively licensed to engage in real estate activity.

B. Exclusions

1. Owner or corporation with up to five partners
2. Public utility employees
3. Mineral exploration employees
4. Attorneys in fact working under power of attorney
5. Administrators, trustees, and executors
6. Bank officers
7. Incidental showings by cemetery employees
8. Church cemetery companies
9. Auctioneers for bona fide auctions
10. Employees in limited management: no leasing, no negotiating
11. Bank employees doing bank appraisals
12. Attorneys when working for their clients

C. Disclosure must be made when listing or selling own real estate.

II. TYPES OF LICENSES AND ELIGIBILITY

A. Broker/associate broker

1. 21 years of age and a high school graduate or equivalent (GED)
2. 240 hours prescribed course work
3. Three years or equivalent with required forms filled out
4. If corporation, must designate a broker of record
5. Pass the broker's exam; if inactive for more than five years, broker's exam again
 - a) Associate brokers work under brokers.
 - b) Brokers run the office.

B. Salesperson

1. 18 years of age
2. 60 hours of prescribed course work
3. Must be accepted by a broker; only one broker at a time
4. Pass the salesperson's exam; if inactive more than five years, salespersons exam again

C. Cemetery broker/cemetery associate broker

1. 21 years of age
2. 60 hours prescribed instruction
3. Three years' experience as salesperson or cemetery salesperson with appropriate forms filled out
4. If corporation, must have a broker of record
5. Pass the salespersons exam

D. Cemetery salesperson

1. 18 years of age
2. Application made to and through single cemetery broker

E. Builder owner salesperson

1. 18 years of age
2. Be employed by a registered builder
3. Pass the salespersons exam

F. Rental listing referral agent

1. Requirements same as salesperson
2. No broker affiliation— they become manager of record

G. Campground membership salesperson

1. 18 years of age
2. 15 hours of prescribed course work
 - a) Basic contract law
 - b) Sales practices and procedures
 - c) Sales ethics
 - d) Theory of campground memberships
3. 30 days of onsite training; work under a broker

H. Time-share salesperson

1. 18 years of age
2. 30 hours like time-share except for theory of time-share
3. 30 days of onsite training; work under a broker

III. LICENSING MISCELLANEOUS INFORMATION**A. Must be of good character to get and keep a license****B. Biennial renewal (every two years)**

1. Even numbered years
2. Begin June 1; end May 31

C. Revocation for minimum of five years—cannot practice until commission OKs**D. Inactivity no longer than five years or retake exam****E. Outside licensees from certain states may become reciprocal****F. Corporations and other entities need a designated broker****G. Only brokers and salespeople need continuing education every two years****H. Licensees who change offices must give written notice**

DIAGNOSTIC TEST

1. To renew a license in Pennsylvania, a salesperson or broker must
 1. be actively participating in the real estate business.
 2. have completed 6 hours of continuing education in the last 2 years, composed of 3 hours in real estate law and 3 hours in fair housing.
 3. complete 14 hours of continuing education and pay the appropriate renewal fee.
 4. prove that he or she is a Pennsylvania resident.
2. If a licensee has had his license revoked, how many years must he wait before reapplying for licensure?
 1. 5
 2. 3
 3. 7
 4. 10
3. An officer of a corporation is designated by the corporation to handle the sale of a parcel of real estate owned by the corporation. Which statement is *TRUE* regarding the corporate officer handling the sale of real estate owned by the corporation?
 1. The corporate officer must be the president and CEO of the corporation to engage in business on behalf of the corporation.
 2. The corporation, as the owner of real estate, may designate up to five of its officers to conduct business on behalf of the corporation without any license required.
 3. Unless the corporate officer is a licensed broker, he or she may not handle the sale of real estate owned by the corporation.
 4. The corporate officer may handle the sale only if there is no compensation involved.
4. A broker personally owns a 10-unit residential property. The broker hires an unlicensed individual for the purpose of managing and maintaining the property. The unlicensed individual may legally perform which of the following activities?
 1. Enter into leases on behalf of the owner
 2. Negotiate terms or conditions of occupancy with current or prospective tenants
 3. Show apartments to prospective tenants and provide information on rental amounts and leasing determination
 4. Supervise and direct a branch office of the broker located at the property
5. An unlicensed individual acting as a real estate consultant negotiated a sale of property and was unable to collect the agreed fee from the seller. The unlicensed individual
 1. may seek compensation from the real estate recovery fund for the unpaid fee.
 2. may file a lawsuit for breach of contract in the court of common pleas in the county where the land is located.
 3. may record a judgment against the owner if the contract contained a confession of judgment clause.
 4. has no recourse under the law because a person who holds himself out as a real estate consultant is required to have a broker's license.
6. What are the procedures that salespersons must follow when they decide to terminate the affiliation with an employing broker and affiliate with a different broker?
 1. Do nothing, because the employing broker is responsible for notifying the Pennsylvania Real Estate Commission of the change
 2. Return their license with the properly completed change of employer form and payment of the required fee
 3. Return all transaction records and prospect leads to the employing broker
 4. Give the broker an official letter of termination that the broker may send to the Pennsylvania Real Estate Commission

7. In order to qualify for examination as a broker, the candidate must
 1. be a high school graduate or have passed a high school general equivalency examination.
 2. have been actively employed as a licensed salesperson for at least three years.
 3. be a resident of Pennsylvania.
 4. submit recommendations from at least two brokers licensed in Pennsylvania.
8. Which candidate for licensure is required to take the standard real estate salesperson's license examination and score a passing grade but is *NOT* required to complete any mandatory education requirement prior to taking the exam?
 1. Cemetery salesperson applicant
 2. Builder-owner salesperson applicant
 3. Rental listing referral license applicant
 4. Campground membership salesperson license applicant
9. A candidate for a broker's license in Pennsylvania must
 1. be a citizen of the United States.
 2. have experience in real estate sales.
 3. have passed the broker's license exam within three years prior to license application.
 4. be a college graduate.
10. When does a real estate salesperson's license expire in Pennsylvania?
 1. May 31 of every even-numbered year
 2. Biennially in the month issued
 3. December 31 of the third year of licensure
 4. Two years from the date the license was issued

ANSWER KEY

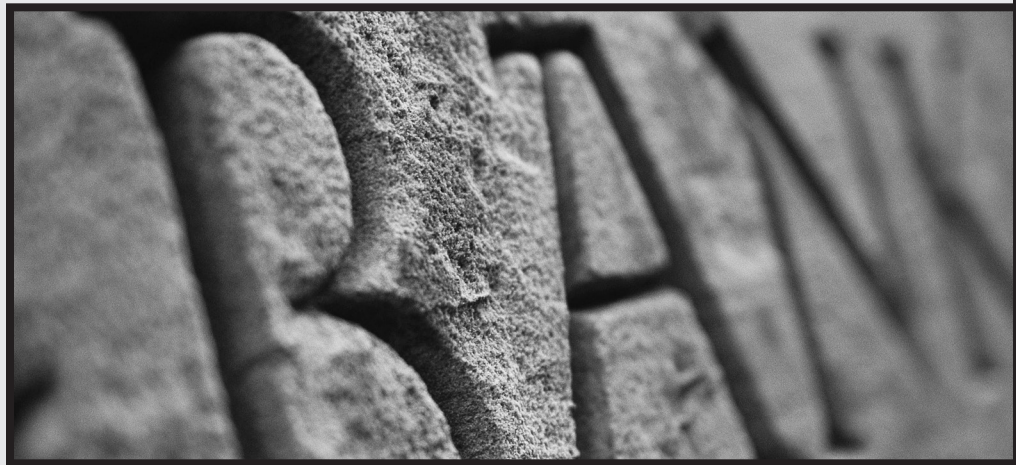
1. 3 The answer is complete 14 hours of continuing education and pay the appropriate renewal fee. Commission rules (35.382) require a broker or salesperson to complete 14 hours of commission-approved continuing education as a condition precedent to renewal of a current license. Renewal fees established by the commission must also be paid (407(a)). There is no requirement to be actively participating in the real estate business, nor must the licensee be a Pennsylvania resident.
2. 1 The answer is 5. Any person whose license has been revoked may reapply at the end of a five-year period from the date of revocation. The applicant must meet all of the licensing qualifications of the Act, including the examination requirement (Act Section 501(c)).
3. 2 The answer is the corporation, as the owner of real estate, may designate up to five of its officers to conduct business on behalf of the corporation without any license required (304(1)). The provisions of the license law do not apply to owners conducting business with regard to their own property.
4. 3 The answer is show apartments to prospective tenants and provide information on rental amounts and leasing determination. An individual directly employed by the owner of multifamily residential property for the purpose of managing or maintaining the property is exempt from provisions of the license law (304(10)). So long as the owner retains the authority to make decisions, the employee may show apartments and provide information on rentals. Unlicensed employees may not negotiate terms or conditions, nor may they enter into leases on behalf of the owner.
5. 4 The answer is has no recourse under the law because a person who holds himself out as a real estate consultant is required to have a broker's license. This person has no recourse. License law prohibits the filing of suits seeking recovery for conduct engaged in, in violation of the license law. The terms consultant, counselor, agent, or finder are all directly included in the definition of a broker (201).
6. 2 The answer is return their license with the properly completed change of employer form and payment of the required fee. License law stipulates that when a licensed salesperson desires to change employing brokers, the salesperson must notify the commission in writing, pay the required fee, and return his or her current license (603(a)).
7. 1 The answer is be a high school graduate or have passed a high school general equivalency examination. An individual who wants to take the broker's examination must be a high school graduate or have passed a high school general equivalency exam (511). There is no residency requirement, and candidates may possess education or experience that the commission considers equivalent to three years' experience as a licensed salesperson. Recommendations are required for licensure as a broker rather than as a condition of taking the examination.
8. 2 The answer is builder-owner salesperson applicant. A builder-owner salesperson applicant must take and pass the salesperson's examination but has no mandatory education requirement (551). Campground membership and cemetery salesperson applicants have no examination requirement. Rental listing referral applicants have both an education and an examination requirement.
9. 3 The answer is have passed the broker's license exam within three years prior to license application. The application must be received by the commission within three years of the date of passing the license exam (512(c)). Neither citizenship nor a college degree is required of broker candidates. Qualifying experience is not limited to the field of real estate sales; a candidate could qualify for licensure with other experience.
10. 1 The answer is May 31 of every even-numbered year. All licenses expire at the end of the license period established by the commission. Salesperson's and broker's licenses all expire the last day of May in even-numbered years and must be renewed on or before June 1 (404 (b)).

TEST SCORE

Licensure			
Rating	Range	Your Score	
Good = 90% to 100%	9-10	Total Number	10
Fair = 70% to 80%	7-8	Total Wrong	-
Needs improvement = Lower than 70%	6 or less	Total Right	-



5 UNIT



Advertising, Agency, and Compensation

OUTLINE

I. **ADVERTISING**

A. Cannot advertise without authority of seller or owner

B. Rental listing managers cannot put property on list without permission.

C. Disclosure of own real estate

1. Must disclose if owned in ads
2. Exception—if listed by company where employed

D. Business name in advertising

1. Licensees under their license name for ads
2. Nicknames are OK, if registered with commission
3. All real estate ads need name and phone number of broker
4. Broker information equal or greater than salesperson

E. Lotteries, contests, prizes, certificate, gifts, and lots

1. Describe in ad what is offered
2. Give prerequisites or limitations
3. Give value and odds of winning

F. Sales volume, market share, number of offices

1. Sales volume = number of closed transactions
2. Market must be identified by municipality or area
3. Offices must have licenses

II. AGENCY

A. Brokers must supervise their licensees

1. Of all kinds
 - a) Salesperson/associate brokers
 - b) Camp ground membership
 - c) Time-share
 - d) Cemetery salesperson/associate cemetery brokers
2. In all situations dealing with real estate

B. Duties to principal, "take COAL to DC" (agency acronym)

1. Care, skill, and diligence
2. Obedience to all legal instructions
3. Accounting for all funds and documentation
4. Loyalty in the fiduciary relationship with the principal
5. Disclosure of all known facts
6. Confidentiality of principal's positions in transaction
 - a) During agency and beyond term of agency
 - b) Exceptions

C. Consent of the principal

1. Subpoena
2. For agent's defense

D. Brokers may not delegate agency to another firm

1. Without the principal's written consent
2. Compensation to cooperating broker does not establish agency

E. Types of representation

1. Single agency
 - a) Brokerage—seller or buyer at a time
 - b) Brokerage— landlord or tenant at a time

2. Dual agency
 - a) Brokerage—seller **and** buyer at a time
 - b) Brokerage- landlord **and** tenant at a time
 - c) **Must** have both parties' knowledge and consent in writing
3. Transaction licensee
 - a) **Not** agent for buyer/seller or landlord/tenant
 - b) May generally talk price and terms
 - c) Limited confidentiality
 - d) Is a facilitator, not fiduciary
4. Designated agent
 - a) Broker selects; informs principal broker may have duties as dual agent
 - b) The individual agent from office exclusively represents one party.
 - c) Used to avoid dual agency by individual agent

F. Business relationship disclosed to consumer at first substantive discussion

G. Subagent-broker; not in employ of listing broker cooperating as agent for the seller

III. COMPENSATION

A. Only employing broker may pay licensees.

B. Brokers may pay only licensed real estate licensees.

C. All commissions to be paid are negotiable and must be disclosed in writing.

D. Acts for compensation may be performed before payment is received.

1. Terms of payment must be in writing to be accepted.
 - a) Payment to salespeople is determined by negotiated contract with broker.

DIAGNOSTIC TEST

1. What determines the amount of compensation to be paid to a licensed real estate salesperson by the employing broker?
 1. The rules and regulations of the multiple listing service to which the broker belongs
 2. The contract between the employing broker and the licensed real estate salesperson
 3. The code of ethics of the association or board of REALTORS®
 4. Negotiation between the broker and property owner at the time property is listed for sale
2. A real estate company has entered into agency agreements with both a seller and a buyer. The buyer is interested in making an offer on the seller's property. Can this occur?
 1. Yes, if both the buyer and seller give their informed consent in writing after receiving full disclosure regarding dual agency
 2. Yes, as long as written agency agreements have been entered into with both parties
 3. Yes, if the seller has agreed to pay the commission
 4. No, because the real estate company would then be a dual agent
3. A buyer is interested in seeing a house listed with XYZ Realty but does not wish to enter into an agency relationship. A salesperson from LMN Realty can show the buyer the house if
 1. XYZ Realty obtains LMN Realty's consent to subagency, and the buyer is given an agency disclosure notice stating that XYZ Realty represents the seller.
 2. XYZ Realty has obtained the seller's written consent to offer subagency, and the buyer is given a consumer notice and disclosure stating that LMN Realty represents the seller.
 3. the buyer verbally agrees to a buyer relationship with LMN Realty.
 4. a salesperson from XYZ Realty accompanies them during the showing.
4. A broker advertises his production or position in the market. What must be included in the advertisement?
 1. Number of licensed branch offices that the broker maintains in the market
 2. Dollar volume of sales transactions written in the market
 3. Number of cooperating brokers that engage in business in the market
 4. Municipality that the market comprises
5. A real estate broker has signed an agency agreement with a tenant who is looking for an apartment to rent. The broker does not charge a fee to prospective tenants but, rather, receives compensation from landlords. The broker tells a landlord that the prospective tenant could probably pay a higher rent than the landlord is asking. In this situation, the licensee
 1. appropriately disclosed to the landlord under these circumstances.
 2. owes the fiduciary agency duties to the landlord, who pays the broker's fee.
 3. violated the fiduciary duties owed to the tenant.
 4. has no duty of confidentiality because the licensee is not charging a fee to prospective tenants.
6. A licensed salesperson obtains a listing. Several days later, the salesperson meets prospective buyers at the property and tells them, "I am the listing agent for this property, and so I'm very familiar with it." She then proceeds to engage in substantive discussion about their needs and motivations as she shows them the property. Under these circumstances, the salesperson has
 1. properly disclosed her agency relationship with the seller.
 2. made a substantial misrepresentation because the listing belongs to the broker.
 3. failed to comply with state law regarding disclosure of agency relationships.
 4. created a dual agency, which is a violation of the Pennsylvania Real Estate License and Registration Act.

7. While representing a seller under a listing contract, the broker learned confidential information about the seller's urgency to sell and minimum acceptable selling price. The listing expired, and the property was listed with a different broker. The original broker now represents a buyer-client who is interested in making an offer on the property. At this time, the broker
 1. must refer the buyer prospect to the new listing broker to write the offer to purchase.
 2. may not reveal confidential information of the seller or use it to the advantage of the buyer-client.
 3. must renounce his agency relationship with the buyer and act as the subagent of the seller.
 4. must disclose to the buyer any information the broker knows about the seller's motivation and minimum acceptable price.
8. Commissions earned by a broker in a real estate sales transaction
 1. are determined by agreement of the broker and the consumer.
 2. may be shared with an unlicensed person who is employed by the broker, provided that such person aided the broker in bringing the buyer and seller together.
 3. may be deducted from the earnest money deposit and claimed by the broker as soon as the buyer and seller execute the purchase and sale agreement.
 4. are based on a schedule of commission rates set by the multiple listing service.
9. Several weeks after a closing, an associate broker received a thank-you letter and a nice bonus check from the seller of the house. The associate broker cashed the check because he felt it was earned. In this situation, which of the following is *TRUE* ?
 1. Accepting the money is allowed if more than 30 days have elapsed since closing.
 2. The associate broker may accept the money if his broker permits him to do so.
 3. The associate broker may accept the bonus because he is licensed as an associate broker.
 4. Accepting the money is a violation of the License and Registration Act.
10. According to License Law, who is responsible in any office for the activities of the licensees?
 1. Salespersons are to be supervised by each other.
 2. The broker licensee must supervise the activities of all licensed salespersons and associate brokers.
 3. Associate brokers are responsible for the activities of the salespeople they work with.
 4. Top producing salespersons and associate brokers may be given the responsibility of supervision.

ANSWER KEY

1. 2 The answer is the contract between the employing broker and the licensed real estate salesperson. The licensed salesperson and employing broker agree to the terms of compensation to be paid by the broker to the salesperson. Professional organizations, multiple listing services, and other parties, such as sellers, do not dictate or control compensation arrangements.
2. 1 The answer is yes, if both the buyer and seller give their informed consent in writing after receiving full disclosure regarding dual agency. In Pennsylvania, dual agency is permitted if both parties give their fully informed consent in writing (604(a)7).
3. 2 The answer is XYZ Realty has obtained the seller's written consent to offer subagency, and the buyer is given a consumer notice and disclosure stating that LMN Realty represents the seller. The seller must consent in writing in order for the listing broker to extend an offer of subagency (606.1(c)). The cooperating broker acting as a subagent must provide the consumer notice and appropriate documentation to the buyer prospect (606.1(b)(4)). The buyer is not the one to agree to the offer of subagency.
4. 4 The answer is municipality that the market comprises. Advertisements by a broker about production or position in the market must identify the municipality that the market comprises (35.307(b)).
5. 3 The answer is violated the fiduciary duties owed to the tenant. By entering into an agency agreement with a prospective tenant, the broker assumes full fiduciary responsibilities without regard for the issue of compensation. The broker has not operated in a manner consistent with the best interest of his client (601.1(g) 1).
6. 3 The answer is failed to comply with state law regarding disclosure of agency relationships. The salesperson has failed to comply with the state law. Prior to engaging in a substantive discussion, the licensee is required to provide the consumer with a consumer notice disclosing information required by law (608).
7. 2 The answer is may not reveal confidential information of the seller or use it to the advantage of the buyer-client. The agent's duty of confidentiality continues after termination of the agency relationship. Information gained during the original agency relationship may not be revealed or used by the licensee for the benefit of the licensee or a third party (606.1(g)).
8. 1 The answer is are determined by agreement of the broker and the consumer. Brokerage fees are established by agreement between the broker and the consumer to whom the broker provides service. The broker may not share these fees with an unlicensed individual (604(a)(12.1)). The broker must maintain the earnest money deposit until the transaction is consummated or terminated.
9. 4 The answer is accepting the money is a violation of the License and Regulation Act. License law prohibits salespersons or associate brokers from accepting a commission or any valuable consideration for the performance of any act specified in the law from any person except the licensed real estate broker with whom they are affiliated (604(a)(12)).
10. 2 The answer is the broker licensee must supervise the activities of all licensed salespersons and associate brokers. It is a prohibited act for brokers to not supervise all of their licensees (604(a) (16)).

TEST SCORE

Advertising, Agency, and Compensation			
Rating	Range	Your Score	
Good = 90% to 100%	9-10	Total Number	10
Fair = 70% to 80%	7-8	Total Wrong	-
Needs improvement = Lower than 70%	6 or less	Total Right	-



6 UNIT



Duties of Licensees, Prohibited Conduct, and Disclosures

OUTLINE

I. DUTIES OF LICENSEES

A. Generally

1. Give reasonable professional care
2. Deal honestly and in good faith
3. Present all offers in a timely manner
4. Account for all funds
5. Provide consumer notices
6. Disclose conflicts of interest
7. Advise consumer to seek expert help when appropriate
8. Keep consumers informed
9. Comply with the Seller's Disclosure Act
10. Assist with documentation
11. Carefully give advice about legal complexities without practicing law
 - a) Licensees not required to verify accuracy or completeness of principal's assertions
 - b) Licensee not liable for acts of any consumer unless the licensee directed them

II. PROHIBITED CONDUCT

A. Top 20 summarized

1. Not being totally truthful
2. Failing to keep records for three years following consummation
3. Acting as a dual agent without consent in writing
4. Placing signs without written consent
5. Failing to give copies of necessary documents
6. Failing to place a termination date on a listing
7. Inducing a party to substitute a contract for personal gain
8. Accepting payment from anyone other than from employing broker
9. Paying anyone other than those who are licensed
10. Failing to disclose interest in a transaction
11. Being convicted of a serious crime
12. Violating commissions regulations
13. Failing to provide necessary legal disclosures
14. For brokers—failing to supervise licensees
15. Failing to provide requested information to commission within 30 days
16. Selling with lotteries, prizes, etc. outside legal restraints
17. Paying or accepting undisclosed commissions
18. Acting in an incompetent or untrustworthy manner
19. Performing an act without the necessary license
20. Violating the Human Relations Act

B. Commission's power to sanction those practicing prohibited acts

1. Suspend license
2. Revoked license
3. Fine up to \$1,000 per offense or a combination with suspension or revocation
4. May continue discipline of out of state conviction, but not fine only for it

III. DISCLOSURES

A. Conflicts of interest must be disclosed.

B. Oral disclosure

1. Given when talking for first time about money or motivation

2. Given verbatim summarized
 - a) "Any information you give me ...cannot be considered confidential..."
 - b) "Until we enter a business relationship..."
 - c) "I will provide you a written consumer notice..."
3. Not required for commercial

C. Written disclosure— The Consumer Notice

1. Given at first meeting with substantive discussion
2. Given at meeting for showing property
3. Not required for commercial

D. Seller Disclosure Form—disclosures of material defects

1. Given to seller to fill out when listing a property
2. Given to buyer to review when putting in an offer
3. Must always be signed and witnessed
4. Not for commercial

E. General disclosures

1. Misleading advice is not allowed.
2. Inaccurate representations are not allowed.
3. Unreasonable assertions are not allowed.
4. Affiliations must be disclosed.
 - a) Known material defects must be disclosed.

DIAGNOSTIC TEST

1. A seller is required to give a buyer a property condition disclosure in all of the following transactions *EXCEPT*
 1. if the seller was the owner-occupant but has not resided in the property for the past year.
 2. when the seller is not assisted by a real estate licensee.
 3. if the buyer has occupied the property as a tenant of the seller.
 4. for a sale of commercial property.
2. The salesperson represents the seller in a transaction. When prospective buyers ask to look at the property, the salesperson must
 1. inform them that the salesperson represents the seller's interests and maintain appropriate documentation of the disclosure.
 2. have the buyer sign the Consumer Notice prior to showing the property.
 3. tell them that they must first enter into a buyer representation agreement with another licensee.
 4. show them the property without making any disclosures about the salesperson's relationship with the seller, because such disclosure would be a violation of the salesperson's fiduciary duties.
3. While negotiating terms of a listing contract with a seller, the seller suggests a listing price significantly below what the salesperson believes the property would sell for in the open market. What is the *BEST* course of action for the licensee to follow?
 1. List the property at the seller's price in anticipation of a fast sale and easy commission.
 2. Disclose the salesperson's professional opinion of value and recommend that the property be listed at market value.
 3. Recommend a net listing at the seller's suggested price.
 4. Directly purchase the property at the seller's price without entering into a listing contract.
4. In a dual agency situation, a broker may collect compensation from both the seller and the buyer if
 1. the buyer and the seller are related by blood or marriage.
 2. the broker is licensed as a dual agent.
 3. both parties give their informed consent in writing to the dual compensation.
 4. both parties are represented by attorneys.
5. In Pennsylvania, when a broker is listing a home and asks the seller to complete a property condition disclosure, which of the following statements is *TRUE* ?
 1. The required disclosures cover a narrow range of structural conditions only.
 2. The seller should be advised that disclosure of known property conditions is required by a Pennsylvania statute called the Real Estate Seller Disclosure Act.
 3. An agent should assist the seller by providing advice regarding which property conditions to disclose and which to ignore.
 4. The disclosures are optional, and the seller may avoid liability by refusing to make any disclosures about the condition of the property.
6. If a licensee is found guilty of making a substantial misrepresentation when dealing with the public, the commission may
 1. impose a jail sentence of up to three months.
 2. levy a fine of up to \$5,000.
 3. revoke the licensee's license and/or impose a fine.
 4. suspend the licensee's license or levy a fine but not do both for the same offense.
7. An advertisement about the number of offices that the broker operates is required to include
 1. the number of agents in each office.
 2. the manager's name.
 3. the hours the offices are open.
 4. only offices that have been issued branch office licenses.

8. Which action on the part of the broker is legal and *NOT* a violation of the license law?
 1. Placing a For Sale sign on a property or advertising property for sale without the written consent of the owner
 2. Failing to specify a definite termination date that is not subject to prior notice in a listing contract
 3. Failing to exercise adequate supervision over the activities of licensed salespeople who are independent contractors
 4. Openly soliciting salespeople or associate brokers employed by competitors to change employing brokers
9. The Pennsylvania Real Estate Commission may take disciplinary action against a licensee when the licensee violates all of the following *EXCEPT*
 1. the Sherman Antitrust Act.
 2. the rules and regulations adopted by the Pennsylvania Real Estate Commission.
 3. the Real Estate Licensing and Registration Act.
 4. the Pennsylvania Human Relations Act.
10. A broker is convicted of felony possession and distribution of a controlled substance. Both the crime and the conviction took place out of state. After 30 days, the broker calls the Pennsylvania Real Estate Commission and leaves a message informing the commission of the conviction. Based on these facts, which of the following is *TRUE* ?
 1. The broker has properly informed the Pennsylvania Real Estate Commission after the conviction, and the broker's license will not be affected.
 2. Both the conviction and the broker's failure to properly notify the commission within 30 days of the conviction are grounds for suspension or revocation of the broker's license.
 3. Because the conviction did not occur in Pennsylvania, it is not grounds for suspending or revoking the broker's license.
 4. The conviction is evidence of both improper dealing and fraud.

ANSWER KEY

1. **4** The answer is for a sale of commercial property. A property condition disclosure form is not required in the sale of commercial property. A disclosure is required even if a licensee is not involved (for sale by owner) by an absentee owner and if the buyer was a tenant in the property (606.1(a)4).
2. **1** The answer is inform them that the salesperson represents the seller's interests and maintain appropriate documentation of the disclosure. The consumer must be provided with the Consumer Notice at the initial interview. The best evidence is the buyer's signature on the form, but a licensee may provide a service without the buyer's actually signing the document. The licensee, however, must retain appropriate documentation that the Consumer Notice was provided (608).
3. **2** The answer is disclose the salesperson's professional opinion of value and recommend that the property be listed at market value. The licensee should disclose a professional opinion of value and recommend that the property be listed at market value. A licensee is expected to exercise reasonable professional skill and care when dealing with the public and to deal honestly and in good faith (606.1(a)).
4. **3** The answer is both parties give their informed consent in writing to the dual compensation. Written consent to act as a dual agent must include a statement of the terms of compensation (606.4). Both parties must consent to the dual compensation. Neither must be represented by attorneys, nor do they have to be related.
5. **2** The answer is the seller should be advised that disclosure of known property conditions is required by Pennsylvania statute called the Real Estate Seller Disclosure Act. The property condition disclosure requirements pertain to most residential transactions and cover a broad range of issues affecting the property. The licensee should advise the seller of the disclosure requirements and the seller's obligation to comply with requirements of the statute (606.1(a)4).
6. **3** The answer is revoke the licensee's license and/or impose a fine. The commission may suspend or revoke a license or impose a fine of up to \$1,000, or do both, if a licensee is found guilty of making any substantial misrepresentation. The commission does not have authority to impose a jail sentence (604(a)).
7. **4** The answer is only offices that have been issued branch licenses. License law prohibits salespersons or associate brokers from accepting a commission or any valuable consideration for the performance of any act specified in the law from any person except the licensed real estate broker with whom they are affiliated (604(a)(12)).
8. **4** The answer is openly soliciting salespeople or associate brokers employed by competitors to change employing brokers. It is legal for a broker to recruit salespeople or associate brokers employed by competitors. Violations of the license law include placing a For Sale sign without written consent of the seller, failing to specify a definite termination date, and failing to exercise adequate supervision of a licensee's activities (604(a)(8)).
9. **1** The answer is the Sherman Antitrust Act. Antitrust laws are enforced by federal and state agencies other than the Pennsylvania Real Estate Commission, but the license law, rules of the commission, and state fair housing laws are all topics addressed by license law as grounds for disciplinary action against licensees by the commission.
10. **2** The answer is both the conviction and the broker's failure to properly notify the commission within 30 days of the conviction are grounds for suspension or revocation of the broker's license. A licensee is required to notify the commission of being convicted, pleading guilty, or nolo contendere to a felony or misdemeanor within 30 days of the verdict or fee (35.290(a)). Being convicted in a court of competent jurisdiction in Pennsylvania or any other state could result in suspension or revocation of the broker's license (604(a)(14)).

TEST SCORE

Duties of Licensees, Prohibited Conducts, and Disclosures			
Rating	Range	Your Score	
Good = 90% to 100%	9-10	Total Number	10
Fair = 70% to 80%	7-8	Total Wrong	—
Needs improvement = Lower than 70%	6 or less	Total Right	—





Documents, Contracts, and Forms; Funds and Accounts; Human Relations Act; and Time-Shares

OUTLINE

I. DOCUMENTS, CONTRACTS, AND FORMS

A. Records must be kept for three years following consummation.

B. Listings require termination date.

C. All agency agreements contain the following:

1. Broker's fees are negotiable
2. Extent of broker's services
3. Statement that broker may work for more than one person
4. In listing, policy about cooperating brokers
5. In buyer's brokerage agreement, policy about reimbursement
6. Statement about the recovery fund
7. Statement about any conflict of interest

D. Sales contract, in particular, must contain the following:

1. Broker's capacity in transaction
2. Purpose of the recovery fund

3. Statement about zoning
4. Statement about road access
5. Date
6. Names of buyer and seller
7. Description of the property
8. Sale price
9. Date of settlement
10. Mortgage information

E. Listings must contain the type—exclusive or non-exclusive.

1. Exclusive right-to-sell must contain the following in addition to what all agreements contain:
 - a) Sales price
 - b) Commission
 - c) Duration
 - d) Commission earned by whomever sells clause in bold face type
2. Exclusive right-to-sell may **never** contain the following:
 - a) Period greater than one year
 - b) Automatic renewal clause
 - c) Required cancellation clause
 - d) Authority of broker to sign documents for seller
 - e) Broker options on property
 - f) Broker authority to confession

F. All papers filed with the commission must be accurate and truthful.

II. FUNDS AND ACCOUNTS

A. Accounts handled in a timely manner

B. Escrows held by broker of seller or buyer

1. Until consummation of transaction— settlement (recording for land contract)
2. Until termination
 - a) Instructions from both parties in writing
 - b) Court order

C. No commingling (mixing clients' funds with personal or business funds)

D. Earnest money's given to employing broker as soon as possible

- E. Broker must place in bank or neutral depository by end of next business day**
- F. Broker may hold check if instructed by principals until full offer and acceptance**
- G. Broker must keep records of funds**
- H. Rental management accounts**
 - 1. Need not keep
 - 2. If kept, must be separate from other escrows
- I. Broker may deposit his own money to cover service charges or maintain balance**
- J. Broker may assign a licensee to be trustee of escrow deposits**
- K. With a business entity, broker of record is responsible for the escrows**

III. HUMAN RELATIONS ACT

- A. Cannot accept listings, sales, or rentals based on protected classes**
 - 1. Race
 - 2. Creed
 - 3. Color
 - 4. Ancestry
 - 5. National origin
 - 6. Handicap or disability
 - 7. Use of a guide dog or support animal
- B. Cannot give out false information to discriminate**
- C. Cannot practice panic pedaling , steering, or redlining**
- D. Human Relations Commission can investigate licensee upon complaint**
 - 1. 90 days shall elapse before they share their findings with commission
 - 2. Commission can discipline above what Human Rights Commission has done
 - 3. Commission can discipline only on substantiated charges shared by Human Rights Commission
 - 4. Second and subsequent complaints have no waiting period

IV. TIME-SHARES

- A. Cancellation right**
 - 1. Midnight of the fifth day following execution of contract
 - 2. Right of cancellation must be conspicuously written on contract.
 - 3. Notice by buyer must be by certified mail or bon fide date of receipt.
 - 4. Cancellation right may not be waived.

B. Return of deposits

1. Within 10 business days
2. Acknowledgement must be included that the contract is void.
3. All prizes may be kept upon canceling.

C. Violations for time-shares are prosecuted by the State Attorney General.**D. These provisions apply to**

1. time-shares located in Pennsylvania and
2. time-share contracts executed in Pennsylvania.

DIAGNOSTIC TEST

1. A buyer has just entered into a contract to buy a time-share interest in a unit from the developer. This new buyer has a right to cancel the contract
 1. within five days from the date the new buyer executed the contract.
 2. at any time during the period agreed to by the buyer and developer in the contract.
 3. within three days from the date the buyer's attorney reviews the documents.
 4. at no time because the buyer has entered into a binding contract.
2. What are the consequences when a real estate salesperson is found guilty of violating any provision of the Pennsylvania Human Relations Act?
 1. The employing broker is liable for the conduct of the salesperson, so the employing broker will also be guilty of the violation.
 2. The Pennsylvania Human Relations Commission will notify the state real estate commission of findings of violations against licensees under the Pennsylvania Human Relations Act.
 3. The Pennsylvania Human Relations Commission may suspend or revoke the salesperson's license.
 4. The Pennsylvania Human Relations Commission must refer the case to HUD for prosecution under the appropriate federal law.
3. A broker received a buyer's earnest money check for \$5,000 and immediately cashed it. At closing, the broker handed the seller a personal check for \$5,300, representing the original earnest money plus 6% interest. The broker
 1. should have deposited the check in a special escrow account at a bank or recognized depository.
 2. properly cashed the check but should have kept the interest.
 3. should have deposited the money in his personal bank account and kept the interest as a service fee.
 4. should have written a check for \$5,000 to the seller and a separate check for \$300 to the buyer.
4. How long must a real estate broker keep records relating to real estate transactions?
 1. One year from the date the property was listed with the broker
 2. Three years following consummation of the transaction
 3. Indefinitely
 4. Until the transaction closes and title passes from the seller to the buyer
5. Which of the following may be given written authority to withdraw funds from a broker's escrow account for payments properly chargeable to the account?
 1. A member of the real estate commission conducting an investigation of the brokerage company
 2. An unlicensed accountant or bookkeeper employed by the broker
 3. An unlicensed clerical or administrative employee acting on behalf of the employing broker
 4. A licensed salesperson employed by the broker designated as trustee for the account
6. Under what circumstances may brokers deposit personal or business funds into their escrow account?
 1. Never—commingling personal or business funds with escrow funds is prohibited.
 2. Brokers may deposit such funds if the broker maintains one account that serves as both the personal or business account and an escrow account simultaneously.
 3. Brokers may make such a deposit only if it appears they will not be able to deposit the funds in the personal or business account by close of business the next business day.
 4. Brokers may deposit personal or business funds in an escrow account to cover service charges assessed to the account or to maintain a minimum balance as required by the bank.

7. A licensed salesperson negotiates an offer to purchase on a property listed for sale with a different company. The buyer gives the salesperson an earnest money deposit check. The salesperson
 1. is required to deliver the earnest money deposit to the listing broker for deposit.
 2. retains the check in his or her file until the offer is accepted by the seller.
 3. must deposit the check in an escrow account maintained in the salesperson's own name at a bank or recognized depository.
 4. is required to deliver the deposit to the salesperson's employing broker promptly upon receipt.
8. An agreement between a broker and consumer in which the consumer is committed to pay a fee must be in writing, signed by the consumer, and contain all of the following information *EXCEPT*
 1. a statement describing the nature and extent of the broker's services to be provided to the consumer.
 2. a statement identifying any possibility that the broker may provide services to more than one consumer in a single transaction.
 3. a statement authorizing the broker to designate a licensee employed by the broker to act as the sole and exclusive agent of the consumer.
 4. a statement describing the purpose of the real estate recovery fund and phone number of the commission at which information regarding the fund may be obtained.
9. Which of the following provisions must be included in an agreement of sale?
 1. Dates for payment and conveyance
 2. Language relieving the seller of responsibility for defects discovered after settlement
 3. Zoning classification for single-family housing
 4. Language addressing the buyer's ability to secure mortgage financing
10. A salesperson is discussing the possibility of listing a seller's home for sale. Before the agreement is signed, the salesperson should provide the seller with information concerning
 1. the common or typical rate of commission charged by brokers in the area.
 2. the broker's policies regarding cooperation with other brokers, including the sharing of fees.
 3. the approximate number of times the house will be advertised for sale.
 4. the inclusion of an automatic renewal clause in the broker's exclusive listing agreement.

ANSWER KEY

1. 1 The answer is within five days from the date of the new buyer executed the contract. A purchaser has the right to cancel the purchase of a time-share interest until midnight of the fifth day following the date on which the purchaser executed the purchase contract (609(a)).
2. 2 The answer is the Pennsylvania Human Relations Commission will notify the state real estate commission of findings of violations against licensees under the Pennsylvania Human Relations Act. The Human Relations Commission finding a licensee guilty requires notification to the state real estate commission (604(a)(22)). The Pennsylvania Human Relations Commission does not have the power to suspend or revoke licenses. Although the salesperson may be guilty, the employing broker is not always liable.
3. 1 The answer is should have deposited the check in a special escrow account at a bank or recognized depository. License law requires the broker to immediately deposit earnest money into a separate custodial or trust fund account maintained by a bank or recognized depository until the transaction is consummated or terminated (604(a)(5)(iv)).
4. 2 The answer is three years following consummation of the transaction. License law requires the broker to keep records relating to a real estate transaction for three years following consummation of the transaction (604(a)(6)).
5. 4 The answer is a licensed salesperson employed by the broker designated as trustee for the account. The employing broker designated as trustee may give a licensed employee written authority to withdraw funds from the escrow account for payments that are properly chargeable to the account (35.325).
6. 4 The answer is brokers may deposit personal or business funds in an escrow account to cover service charges assessed to the account or to maintain a minimum balance as required by the bank. Commission rules prohibit a broker from commingling money required to be held in escrow with business, personal, or other funds. However, a broker is permitted to deposit business or personal funds to cover service charges or maintain minimum balance requirements of the institution (35.326(b)).
7. 4 The answer is is required to deliver the deposit to the salesperson's employing broker promptly upon receipt. Salespeople and associate brokers who receive deposits or other moneys related to a transaction in which they are engaged on behalf of a broker-employer are required to promptly pay the deposit to the broker (604(a)(5)). The broker is required to maintain an escrow account.
8. 3 The answer is a statement authorizing the broker to designate a licensee employed by the broker to act as the sole and exclusive agent of the consumer. Written agreements between brokers and consumers that obligate a consumer to pay a fee, commission, or other valuable consideration must contain information as required by section 608.3 of the Real Estate Licensing and Registration Act. A broker, with the written consent of the principal, may designate a licensee to act exclusively as an agent of the seller-landlord and another licensee to act exclusively as an agent of the buyer-tenant in the case where a broker serves as a dual agent (35.315).
9. 1 The answer is dates for payment and conveyance. Rules of the commission provide that an agreement of sale must contain the dates for payment and conveyance in addition to other specified items. Language addressing the seller's responsibility for defects, zoning classification of single-family property, and mortgage financing language are not mandatory inclusions (35.333).
10. 2 The answer is the broker's policies regarding cooperation with other brokers, including the sharing of fees. When an initial interview takes place prior to entering into a listing, the broker must provide information about the broker's policy regarding cooperation with other brokers 608(a)(6). Commission rates are not determined by local custom. Automatic renewal clauses are prohibited (35.332(c)).

TEST SCORE

Documents, Contracts, and Forms, Funds and Accounts, Human Relations Act, and Time-Shares			
Rating	Range	Your Score	
Good = 90% to 100%	9–10	Total Number	10
Fair = 70% to 80%	7–8	Total Wrong	–
Needs improvement = Lower than 70%	6 or less	Total Right	–

8 UNIT



Simulated State Exam I

By now, you have become familiar with multiple-choice questions that are similar to those on the PSI state exam. You have successfully finished diagnostic tests on real estate commission, licensure, and various aspects involving regulation of conduct of licensees.

This simulated exam is structured and weighted to be as close as possible to the experience you will have with the PSI state exam. The questions are based on the PSI bulletin state content outline. They also represent the approximate percentages of questions you will encounter: 10% on real estate commission, 20% on licensure, and 70% on regulation of conduct of licensees.

There are 40 questions presented because the broker's exam consists of 40 questions, even though the salesperson's exam consists of 30 questions, 40 is a good practice number. Time yourself to complete the exam in an hour or less. Mark questions in which you are not sure of the answer for review. Review Unit 2 before you take this exam to remind yourself of the strategy for success with multiple-choice questions. Anything less than a 75%, or 30 out of 40, means you need more practice. (Broker only practice questions will come in Unit 10.)

1. In Pennsylvania, the real estate license law is administered by the
 1. Department of State.
 2. real estate commission.
 3. state association of REALTORS®.
 4. Department of Housing and Urban Development.
2. All of the following statements regarding the Pennsylvania Real Estate Commission are true *EXCEPT*
 1. the commission makes and enforces the rules by which real estate licensees must abide.
 2. the examinations that must be taken by applicants for real estate licensing are administered by an independent testing company rather than by the commission.
 3. members of the commission are selected by the state association of REALTORS®.
 4. the commission must submit annual reports to legislative committees in the state senate and house of representatives.
3. An unlicensed individual who engages in activities for which a real estate license is required is subject to which penalty upon conviction for a first offense?
 1. Fine not to exceed \$500
 2. Fine not to exceed \$1,000 and one-year imprisonment
 3. Civil penalty of \$5,000 in addition to other penalties provided by law
 4. Fine not to exceed \$5,000 and mandatory prison term not to exceed five years
4. A broker is found guilty of fraud or misrepresentation and ordered to pay monetary damages to a consumer. What is the time frame within which the injured party may file a claim for payment from the real estate recovery fund?
 1. One year after the alleged violation occurred
 2. Three years after the alleged violation occurred
 3. Three years after the date on which a professional relationship of trust and accountability commenced between the broker and the consumer
 4. One year after termination of the proceedings in connection with the judgment awarded to the consumer
5. A buyer has just entered into a contract to buy a time-share interest in a unit from the developer. This new buyer has a right to cancel the contract
 1. at any time during the period agreed to by the buyer and developer in the contract.
 2. within three days from the date the buyer's attorney reviews the documents.
 3. within five days from the date the new buyer executed the contract.
 4. at no time because the buyer has entered into a binding contract.
6. If the real estate commission receives a copy of a complaint filed with the Pennsylvania Human Relations Commission alleging that a licensee has violated a provision of the Pennsylvania Human Relations Act, what is the waiting period before the real estate commission may proceed with its own disciplinary action against the licensee?
 1. 90 days if it is an initial complaint against the licensee
 2. One year
 3. No action by the real estate commission is permitted until after the Pennsylvania Human Relations Commission has decided the case
 4. There is no waiting period because both the real estate commission and Pennsylvania Human Relations Commission must begin investigations immediately upon receipt of a complaint

7. An associate broker is not satisfied with her present real estate company and has decided to change employing brokers. Before the associate broker may begin actively selling for the new company
1. the associate broker must notify the commission no later than 10 days after the intended date of change, pay the required fee, and return her current license to the commission.
 2. the new employing broker must notify the commission of the change, pay the required fee, and send in the proper forms before the associate broker may perform any activities on behalf of the new employing broker.
 3. the associate broker must take her current license to the new brokerage and notify the commission within three days of the transfer to a new location.
 4. the first broker must transfer the associate broker's license to the new office.
8. A candidate for a broker's license in Pennsylvania must
1. have passed the broker's license exam within three years prior to license application.
 2. be a citizen of the United States.
 3. have experience in real estate sales.
 4. be a college graduate.
9. Which applicant for licensure is *NOT* required to pass a written exam for licensure?
1. Rental listing referral agent
 2. Builder-owner salesperson
 3. Cemetery broker
 4. Cemetery salesperson
10. Licensed real estate salespersons may engage in all of the following activities on behalf of their employing broker *EXCEPT*
1. negotiate the purchase, sale, or exchange of commercial real estate.
 2. perform an appraisal for a federally related mortgage loan.
 3. assist the broker in the management of a residential multifamily real estate.
 4. negotiate a loan on real estate.
11. In Pennsylvania, which of the following would need to be a licensed real estate broker or salesperson?
1. A licensed attorney acting under a power of attorney to convey real estate
 2. A resident apartment manager employed by an owner when showing apartments to prospective tenants
 3. A property management company that employs fewer than three leasing agents
 4. A partnership selling a building owned by the partners
12. A foreign corporation that owns a building in Pennsylvania decides to sell without listing it for sale. Who may legally handle the transaction on behalf of the corporation?
1. A licensed broker in the state where the corporation is headquartered may handle the sale without being licensed in Pennsylvania.
 2. An attorney-at-law who renders services to the corporation within the scope of an attorney-client relationship may handle the transaction for the corporation.
 3. A licensed Pennsylvania salesperson may be directly employed by the corporation to handle the transaction.
 4. Only a licensed Pennsylvania broker may handle the sale of property owned by a foreign corporation.
13. To renew a license in Pennsylvania, a salesperson or broker must
1. be actively participating in the real estate business.
 2. have completed 6 hours of continuing education in the last 2 years, composed of 3 hours in real estate law and 3 hours in fair housing.
 3. complete 14 hours of continuing education and pay the appropriate renewal fee.
 4. prove that he or she is a Pennsylvania resident.

14. If a licensed salesperson, without the knowledge or consent of the employing broker, violates requirements regarding delivery of a Consumer Notice at the initial interview, what are the consequences?
 1. The broker will have her license suspended or revoked for failing to exercise supervision over the licensed salesperson.
 2. Unless the consumer files a written complaint with the commission, neither the broker nor the salesperson is subject to disciplinary proceedings.
 3. As long as the Consumer Notice is signed by the parties prior to entering into an agreement of sale, there is no violation.
 4. The salesperson may have her license suspended or revoked.
15. If a licensed salesperson owns multifamily residential property for investment purposes, the salesperson
 1. must deposit collected rents into an escrow account.
 2. may pay a referral fee to another salesperson employed by the same broker if the referred prospect leases a unit in the building.
 3. must hire the employing broker as the property manager and conduct all leasing activity through the broker.
 4. must disclose her license status to prospective tenants before the tenant enters into a lease agreement.
16. All of the following persons must complete education or training requirements prior to licensure *EXCEPT*
 1. time-share salespeople.
 2. campground membership salespeople.
 3. cemetery salespeople.
 4. rental listing referral agents.
17. A broker acting as a transaction licensee would be in violation of the real estate commission's rules and regulations if the broker engaged in which of the following activities?
 1. Advising the consumer about compliance with laws pertaining to real estate transactions without rendering legal advice
 2. Disclosing to a buyer that the seller will accept a price less than the asking/listing price
 3. Providing assistance with document preparation
 4. Keeping the consumer informed about the transaction and the tasks to be completed
18. In the case of the sale of an existing single-family home, property condition disclosures must be delivered to the buyer
 1. prior to the buyer making a written offer.
 2. at the time the seller agrees to the offer.
 3. at the time of the home inspection.
 4. at the closing.
19. Which of the following could be construed as the unauthorized practice of law?
 1. Making sure that the written agreement of sale includes a statement as to whether the broker is the agent of the seller or the agent of the buyer
 2. Informing the buyer of the broker's personal opinion of the condition of the seller's title to the property
 3. Providing each party with a written estimate of reasonably foreseeable expenses associated with the sale before the agreement of sale is executed
 4. Keeping copies of all documents involved in the transaction on file for three years after consummation of the transaction

20. Under what circumstance may real estate licensees perform a comparative market analysis for a consumer?
1. Licensees under contract to act as a buyer's agent may perform a comparative market analysis for the purpose of determining the offering price for a specific parcel of real estate in an identified market at a specified time.
 2. Licensees representing a seller-client may prepare a comparative market analysis for an unrepresented buyer in order to assist the buyer in determining an offering price.
 3. Licensees may perform a comparative market analysis only if they are an unbiased, disinterested third party, acting with impartiality and independence.
 4. Licensee may perform a comparative market analysis for a seller-client only after the licensee and seller have entered into an exclusive listing agreement.
21. A broker received a buyer's earnest money check for \$5,000 and immediately cashed it. At closing, the broker handed the seller a personal check for \$5,300, representing the original earnest money plus 6% interest. The broker
1. properly cashed the check but should have kept the interest.
 2. should have deposited the check in a special escrow account at a bank or recognized depository.
 3. should have deposited the money in his personal bank account and kept the interest as a service fee.
 4. should have written a check for \$5,000 to the seller and a separate check for \$300 to the buyer.
22. A consumer hires a broker to serve as a buyer's agent. The broker currently has a property exclusively listed for sale that fully meets the buyer prospect's needs. Which of the following *BEST* describes the responsibility of the broker in this situation?
1. Following disclosures required at the initial interview, the broker must secure the written consent of both parties in order to act as a dual agent.
 2. Since the broker already represents the seller, the broker cannot enter into a buyer agency contract with regard to the listed property.
 3. The broker must refer the buyer to a cooperating broker on a referral basis if the buyer wants representation.
 4. The broker is required to designate one salesperson to represent the buyer prospect and a different salesperson to represent the seller whose property is listed with the broker.
23. Brokers must supervise all licensees *EXCEPT*
1. salespersons.
 2. campground membership salespersons.
 3. time-share salespersons.
 4. builder-owner salespersons.
24. In Pennsylvania, an exclusive right-to-buy contract
1. may run for an indefinite period of time.
 2. is illegal.
 3. requires the signature of the principal only.
 4. must be indicated as such in the buyer agency agreement.
25. A real estate salesperson decides to sell her own property for sale by owner. When advertising the property, the salesperson
1. must disclose the name, address, and phone number of her employing broker.
 2. does not need to disclose her license status in the advertisement.
 3. is prohibited from advertising as a for sale by owner.
 4. must disclose in the advertisement the fact that she is a real estate licensee.

26. A broker is employed as a property manager. The building owner and the broker agree that the building's air-conditioning system needs to be replaced, and the broker is authorized to contract for the work to be done. Without the owner's knowledge, the broker and the contractor chosen to do the work agree that, as a condition of receiving the contract, the contractor will install central air-conditioning in the personal residence of the broker at no charge to the broker. Could this action result in disciplinary action against the broker by the commission?
1. No, because the broker has been authorized by the owner to contract to have the work done
 2. Yes, because accepting any undisclosed compensation or profit for expenditures on behalf of an owner is a violation of the license law
 3. Yes, because only the owner is authorized to contract for work to be done on the building he owns
 4. No, because terms of the contract between the broker and contractor are not an issue of concern to the Pennsylvania Real Estate Commission
27. Which type of listing agreement would be required to contain a statement in boldfaced type stating that the broker earns a commission on the sale of property during the listing period even if the owner sells the property without the aid of the broker?
1. Exclusive agency listing
 2. Exclusive right-to-sell listing
 3. Multiple listing
 4. Open listing
28. Certain topics must be included in exclusive listing agreements or the licensee may face disciplinary action. All of the following must be included in the listing agreement *EXCEPT*
1. the specific termination date.
 2. the specified commission rate or amount.
 3. the broker protection clause.
 4. the asking price.
29. A broker listed a small office building. Because the property is in excellent condition and produces a good, steady income, the broker's salesperson has decided to purchase it as an investment. If the broker's salesperson wishes to buy this property, the salesperson must
1. have a third party purchase the property on the salesperson's behalf so that the owner does not learn the true identity of the purchaser.
 2. inform the owner in writing that the salesperson is a licensee of the listing broker when making an offer.
 3. obtain permission from the Pennsylvania Real Estate Commission.
 4. resign as the broker's agent and make an offer after the owner has retained another broker.
30. A real estate licensee must give the Consumer Notice to prospective purchasers/tenants at
1. the initial interview.
 2. every open house they attend.
 3. the closing table.
 4. the time an offer to purchase/lease is being prepared.
31. A licensed real estate salesperson owns a three-unit apartment building for investment purposes. Under what conditions may the salesperson sell the property?
1. The salesperson must list the property for sale with the salesperson's employing broker.
 2. The salesperson may be a for sale by owner, but the salesperson must disclose his license status in advertisements for the property.
 3. Since the seller is a licensee, only buyers represented by other agents may be shown the property.
 4. The licensee must disclose his license status to the buyer at the closing when funds are being disbursed.

32. A buyer is interested in seeing a house listed with XYZ Realty but does not wish to enter into an agency relationship. A salesperson from LMN Realty can show the buyer the house if
1. XYZ Realty obtains LMN Realty's consent to subagency, and the buyer is given an agency disclosure notice stating that XYZ Realty represents the seller.
 2. the buyer verbally agrees to a buyer relationship with LMN Realty.
 3. XYZ Realty has obtained the seller's written consent to offer subagency, and the buyer is given a consumer notice and disclosure stating that LMN Realty represents the seller.
 4. a salesperson from XYZ Realty accompanies them during the showing.
33. Commissions earned by a broker in a real estate sales transaction
1. may be shared with an unlicensed person who is employed by the broker, provided that such person aided the broker in bringing the buyer and seller together.
 2. may be deducted from the earnest money deposit and claimed by the broker as soon as the buyer and seller execute the purchase and sale agreement.
 3. are determined by agreement of the broker and the consumer.
 4. are based on a schedule of commission rates set by the multiple listing service.
34. A broker who wishes to place a For Sale sign on a listed property must first
1. sell the property.
 2. secure an exclusive-listing contract from the seller.
 3. get permission from the neighbors and the local governing body.
 4. obtain the written consent of the owner of the property.
35. Under what circumstances may brokers deposit personal or business funds into their escrow account?
1. Never—commingling personal or business funds with escrow funds is prohibited.
 2. Brokers may deposit such funds if the broker maintains one account that serves as both the personal or business account and an escrow account simultaneously.
 3. Brokers may deposit personal or business funds in an escrow account to cover service charges assessed to the account or to maintain a minimum balance as required by the bank.
 4. Brokers may make such a deposit only if it appears they will not be able to deposit the funds in the personal or business account by close of business the next business day.
36. The salesperson represents the seller in a transaction. When prospective buyers ask to look at the property, the salesperson must
1. inform them that the salesperson represents the seller's interests and maintain appropriate documentation of the disclosure.
 2. have the buyer sign the Consumer Notice prior to showing the property.
 3. tell them that they must first enter into a buyer representation agreement with another licensee.
 4. show them to look at the property without making any disclosures about the salesperson's relationship with the seller, because such disclosure would be a violation of the salesperson's fiduciary duties.

37. When discussing the possibility of listing a large parcel of vacant land with an owner, the broker determines that he would like to secure an option to purchase the property. How should the broker proceed?
1. Arrange to have the owner enter into an option agreement with a straw party selected by the broker in order to avoid a conflict with the seller
 2. Disclose his interest and license status to the owner and discuss terms of the option agreement prior to and distinct from the listing agreement
 3. Secure an exclusive right-to-sell long-term listing but refuse to aggressively market the property until his option has expired
 4. Include language in the listing contract granting the option to the broker for purchase of the listed property
38. A listing broker offers a \$500 bonus to any salesperson who sells a particular listing within the next 30 days. Which of the following is *TRUE*?
1. The seller must give his consent in writing to the broker allowing him to offer the bonus.
 2. The broker may directly pay the bonus to a salesperson employed by another broker with the consent of the other broker.
 3. A bonus for selling property must be paid to the salesperson directly by the seller rather than the broker.
 4. The broker may only pay the bonus to a salesperson who is employed by the listing broker.
39. When a licensee provides a statement of estimated cost and returns it to the parties involved in a transaction, the statements
1. must be provided on standard forms developed by the Pennsylvania Real Estate Commission.
 2. are not required if a lender agrees to provide the statement at the loan application.
 3. may be provided orally to the parties.
 4. must be provided in writing before an agreement of sale is executed between the parties.
40. In Pennsylvania, all of the following would be grounds for revoking a broker's license *EXCEPT*
1. advertising in a newspaper that she is a member of the Pennsylvania Association of Real Estate Professionals when in fact she is not.
 2. depositing a buyer's earnest money into the salesperson's personal checking account.
 3. agreeing with a seller to accept a listing for more than the company's normal commission rate.
 4. being convicted of a felony.

ANSWER KEY

1. 2 The answer is real estate commission. The Pennsylvania Real Estate Commission has the power and authority to administer and enforce the license law (406). The Pennsylvania Association of REALTORS® is a trade association whose members are licensees. The Department of Housing and Urban Development generally handles fair housing, not licensing, issues.
2. 3 The answer is members of the commission are selected by the state association of REALTORS®. Members of the real estate commission are appointed by the governor (202(a)), not the state association of REALTORS®. The commission prescribes subjects for testing, but the department contracts with a professional testing service to write and administer exams (403). The commission also promulgates rules and regulations (404), and reports to legislative committees (408).
3. 1 The answer is fine not to exceed \$500. Upon conviction for a first offense for practicing real estate without a license, the maximum penalty is a fine not exceeding \$500, imprisonment not exceeding three months, or both (303).
4. 4 The answer is one year after termination of the proceedings in connection with the judgment awarded to the consumer. A claim for payment from the recovery fund must be made no more than one year after the termination of the proceedings, including reviews and appeals in connection with the judgment (803(b)(4)).
5. 3 The answer is within five days from the date the new buyer executed the contract. A purchaser has the right to cancel the purchase of a time-share interest until midnight of the fifth day following the date on which the purchaser executed the purchase contract (609(a)).
6. 1 The answer is 90 days if it is an initial complaint against the licensee. In the event the Pennsylvania Human Relations Commission does not act on a discrimination complaint within 90 days after it is filed with the Pennsylvania Human Relations Commission, the state real estate commission may proceed with action against the licensee. The 90-day waiting period applies only in initial complaints against the licensee (604(22)).
7. 1 The answer is the associate broker must notify the commission no later than 10 days after the intended date of change, pay the required fee, and return her current license to the commission. When licensees change employing brokers, they are required to notify the commission in writing no later than 10 days after the intended date of change, pay the required fee, and return their current license. The associate broker maintains a copy of the notification sent to the commission as a temporary license pending receipt of the new current license (603(a)).
8. 1 The answer is have passed the broker's license exam within three years prior to license application. The application must be received by the commission within three years of the date of passing the license exam (512(c)). Neither citizenship nor a college degree is required of broker candidates. Qualifying experience is not limited to the field of real estate sales; a candidate could qualify for licensure with other experience.
9. 4 The answer is cemetery salesperson. There is no examination or coursework required for a cemetery salesperson. Builder-owner salespeople (551), rental listing referral agents (561), and cemetery brokers (531) are all required to pass a written exam prior to licensure.
10. 2 The answer is perform an appraisal for a federally related mortgage loan. Real estate licensees are not authorized to engage in appraisal activities. Appraisal activities are regulated by the state Board of Certified Real Estate Appraisers. The other activities are permitted under the definition of a salesperson in the license law (201) and rules of the commission (35.201).
11. 3 The answer is a property management company that employs fewer than three leasing agents. Managing real estate is an activity included in the definition of a real estate broker provided in the license law, so a company will need a license (201). Licensed attorneys, partnerships acting as owners of property, and resident managers employed by owners of multifamily residential properties are excluded from the license law (304).

12. 2 The answer is an attorney-at-law who renders services to the corporation within the scope of an attorney-client relationship may handle the transaction for the corporation. An attorney-at-law who receives a fee for rendering services within the scope of an attorney-client relationship is exempt from licensure (35.302(5)) and may handle the transaction. As an owner, the corporation may designate no more than five of the corporation's officers to act on behalf of the corporation as the owner.
13. 3 The answer is complete 14 hours of continuing education and pay the appropriate renewal fee. Commission rules (35.382) require a broker or salesperson to complete 14 hours of commission-approved continuing education as a condition precedent to renewal of a current license. Renewal fees established by the commission must also be paid (407(a)). There is no requirement to be actively participating in the real estate business, nor must the licensee be a Pennsylvania resident.
14. 4 The answer is the salesperson may have her license suspended or revoked. The salesperson's failure to provide the Consumer Notice at the initial interview is a violation of the license law (604(a)(15.1)). Licensees are subject to disciplinary action by the commission, including possible suspension or license revocation.
15. 4 The answer is must disclose her license status to prospective tenants before the tenant enters into a lease agreement. Salespersons who are selling or leasing their own real estate are required to disclose licensed status to a prospective buyer or lessee before an agreement is entered into. Rents are not deposited into an escrow account. Only the employing broker may compensate a licensed salesperson employed by that broker (35.288).
16. 3 The answer is cemetery salespeople. There is no education requirement or exam required for a cemetery salesperson (541). Campground membership salespeople (581), time-share salespeople (591), and rental listing referral agents (561) are all required to complete education or training requirements as a condition of licensure.
17. 2 The answer is disclosing to a buyer that the seller will accept a price less than the asking/listing price. A transaction licensee owes the duty of limited confidentiality and may not disclose to a buyer that the seller will accept a price less than the asking/listing price of the property (35.316). Providing assistance with document preparation, advising the consumer about compliance with laws pertaining to transactions, and keeping the consumer informed about tasks to be completed are all general duties of all licensees (35.292).
18. 1 The answer is prior to the buyer making a written offer. Pennsylvania law requires the seller to provide the buyer with the property condition disclosure statement prior to the buyer entering into an agreement of sale with the seller (606.1(a)4).
19. 2 The answer is informing the buyer of the broker's personal opinion of the condition of the seller's title to the property. Opinions regarding condition of title to the property being sold could constitute the practice of law and should be avoided. Mandatory requirements and disclosures are addressed in the law (608.2(1)), requirements regarding estimates of cost and return are addressed in 35.334, and records must be maintained for three years (604(a)(6)).
20. 1 The answer is licensees under contract to act as a buyer's agent may perform a comparative market analysis for the purpose of determining the offering price for a specific parcel of real estate in an identified market at a specified time. A comparative market analysis may be prepared by a contracted buyer's agent for the purpose of determining the offering price for a specified piece of real estate in an identified real estate market at a specified time (201).
21. 2 The answer is should have deposited the check in a special escrow account at a bank or recognized depository. License law requires the broker to immediately deposit earnest money into a separate custodial or trust fund account maintained by a bank or recognized depository until the transaction is consummated or terminated (604(a)(5)(iv)).

22. 1 The answer is following disclosures required at the initial interview, the broker must secure the written consent of both parties in order to act as a dual agent. A broker is permitted to act as a dual agent provided the broker secures the written consent of both parties to the transaction. The requirement is informed consent after full disclosure as provided at the initial interview (606.4(a)).
23. 4 The answer is builder-owner salespersons. Builder-owner salespersons are licensed under and are employees of Registered Builders (201). Salespersons, campground-membership salespersons, and time-share salespersons must be licensed with and be supervised by a broker (604 (a)(16)(27 and 28).
24. 4 The answer is must be indicated as such in the buyer agency agreement. Section 606.1(b) (1) requires that the nature of the service to be provided must be set forth in a written agreement between the consumer and the licensee. Section 608.1 establishes requirements for the written agreement. An exclusive right-to-buy contract must be in writing and contain a specific termination date.
25. 4 The answer is must disclose in the advertisement the fact that she is a real estate licensee. All licensees are required to disclose their license status in advertisements for property if the property is not listed for sale with a real estate company (35.304).
26. 2 The answer is yes, because accepting any undisclosed compensation or profit for expenditures on behalf of an owner is a violation of the license law. License law requires disclosure to the consumer of any interest a licensee has in any services to be provided to the consumer by any other person, including construction or repair services (606.1(a)(13)). Failure to make the disclosure could result in disciplinary action against the licensee (604(a)(19)).
27. 2 The answer is exclusive right-to-sell listing. Commission rules require that an exclusive right-to-sell listing must include specific language in boldfaced type that the owner will be obligated to pay the brokerage fee even if the owner sells the property without the aid of the broker (35.332(a)(4)).
28. 3 The answer is the broker protection clause. A broker may or may not include a broker protection clause; that issue is not addressed by license law. The law requires that a definite termination date be included in an exclusive listing (604(a)(10)). Rules of the commission require that the asking price and a specified commission rate or amount be included in an exclusive listing agreement.
29. 2 The answer is inform the owner in writing that the salesperson is a licensee of the listing broker when making an offer. The licensee must disclose in writing the licensee's intention or true position if the licensee purchases any property that has been listed with the licensee's office (604(a)(13)).
30. 1 The answer is the initial interview. The Consumer Notice must be provided to a purchaser/tenant at the initial interview, which is defined as the first contact where a substantive discussion about real estate needs occurs (608).
31. 2 The answer is the salesperson may be for sale by owner, but the salesperson must disclose his license status in advertisements for the property. Licensees who sell or lease their own real estate must disclose this licensure in advertisements for the property. This requirement does not apply if the property is listed for sale with a real estate company (35.304).
32. 3 The answer is XYZ Realty has obtained the seller's written consent to offer subagency, and the buyer is given a consumer notice and disclosure stating that LMN Realty represents the seller. The seller must consent in writing in order for the listing broker to extend an offer of subagency (606.1(c)). The cooperating broker acting as a subagent must provide the consumer notice and appropriate documentation to the buyer prospect (606.1(b)(4)). The buyer is not the one to agree to the offer of subagency.
33. 3 The answer is: are determined by agreement of the broker and the consumer. Brokerage fees are established by agreement between the broker and the consumer to whom the broker provides service. The broker may not share these fees with an unlicensed individual (604(a)(12.1)). The broker must maintain the earnest money deposit until the transaction is consummated or terminated.

34. **4** The answer is obtain the written consent of the owner of the property. The broker must obtain the written consent of the owner before erecting a For Sale or For Rent sign on property (35.301(a); 604(a)(8)). The broker does not have to gain permission from the neighbors or local governing body, or sell the property. It is permissible to have signs on open listings as well as on exclusives. Written consent, however, is always required.
35. **3** The answer is brokers may deposit personal or business funds in an escrow account to cover service charges assessed to the account or to maintain a minimum balance as required by the bank. Commission rules prohibit a broker from commingling money required to be held in escrow with business, personal, or other funds. However, a broker is permitted to deposit business or personal funds to cover service charges or maintain minimum balance requirements of the institution (35.326(b)).
36. **1** The answer is inform them that the salesperson represents the seller's interests and maintain appropriate documentation of the disclosure. The consumer must be provided with the Consumer Notice at the initial interview. The best evidence is the buyer's signature on the form, but a licensee may provide a service without the buyer's actually signing the document. The licensee, however, must retain appropriate documentation that the Consumer Notice was provided (608).
37. **2** The answer is disclose his interest and license status to the owner and discuss terms of the option agreement prior to and distinct from the listing agreement. The broker must disclose his license status prior to entering into an agreement with an owner (35.332(c)). A broker may not incorporate an option to purchase property in a listing agreement for the property, and the broker may not conduct business through a straw party.
38. **4** The answer is the broker may only pay the bonus to a salesperson who is employed by the listing broker. License law prohibits licensed brokers from paying compensation to anyone other than their licensed employees or another broker, and it prohibits a salesperson from accepting compensation from anyone other than his or her employing broker (604(a)(12)).
39. **4** The answer is must be provided in writing before an agreement of sale is executed between the parties. Rules of the commission require the licensee to provide written estimates of reasonably foreseeable expenses before an agreement of sale is executed (35.334(a)). The disclosure must be made in writing on forms developed for such purpose. The commission does not mandate a standard form. Lenders provide statements to prospective borrowers rather than to both parties involved in the transaction.
40. **3** The answer is agreeing with a seller to accept a listing for more than the company's normal commission rate. A broker's compensation is negotiable between the parties. Misleading advertising is prohibited under 604(a)(5), and being convicted of a felony could result in revocation of the broker's license under 604(a)(14).

TEST SCORE

Simulated State Exam I			
Rating	Range	Your Score	
Good = 87.5% to 100%	35–40	Total Number	40
Fair = 75% to 85%	30–34	Total Wrong	–
Needs improvement = Lower than 75%	29 or less	Total Right	–



9 UNIT



Simulated State Exam II

You just completed a multiple-choice, 40-question simulated exam. Before you take the following simulated exam, go back through your content outlines from Units 3 through 7, and make note of the information that you are not sure about. Then, study those areas. Always study what you do not know—not what you do know. After you have studied, focus on receiving the best score you can on this simulated state exam. This will be your last exam before the PSI licensing exam (except for brokers who have a few particulars to go through in Unit 10).

1. The Pennsylvania Real Estate Commission has the authority to
 1. compose the examination questions on the state exam.
 2. administer the exams given at the testing sites.
 3. enact the laws that govern real estate licensees.
 4. make and enforce the rules by which all real estate licensees must abide.
2. The Pennsylvania Real Estate Commission may undertake an investigation of a licensee based on all the following grounds *EXCEPT*
 1. its own initiative.
 2. a motion from the members of the commission.
 3. a random selection of licensees currently active.
 4. a written complaint submitted by a consumer.
3. The Pennsylvania Real Estate Commission has statutory authority to perform all of the following duties *EXCEPT*
 1. approve schools offering or conducting courses of study in real estate.
 2. waive all or part of the continuing education requirement for a salesperson or broker due to illness, emergency, or hardship.
 3. issue licenses and registration certificates to persons who comply with provisions established by the license law.
 4. prescribe the subjects to be tested on license examinations.
4. Who of the following is subject to disciplinary action by the Pennsylvania Real Estate Commission?
 1. Elected officers of a banking institution handling real estate transactions for the bank
 2. Attorney-in-fact rendering services under an executed and recorded power of attorney
 3. Campground membership salesperson
 4. Employees of a real estate appraisal firm
5. A salesperson has engaged in activities that constitute several violations of the Pennsylvania Human Relations Act, including blockbusting and discrimination on the basis of disability. The salesperson has also cashed a \$25,000 earnest money check from a prospective buyer and used the proceeds to buy a new car. The salesperson's employing broker was unaware of all of these activities. What is the impact on the employing broker's license when the salesperson's violations are brought to the attention of the Pennsylvania Real Estate Commission?
 1. The employing broker might not have her license revoked as a result of the salesperson's violations.
 2. The salesperson's employing broker will be required to pay any fine imposed against the salesperson out of her personal funds.
 3. The salesperson's actions are legally the responsibility of the employing broker, who will be subject to the same disciplinary action as the salesperson regardless of whether she knew the violations had occurred.
 4. The salesperson's employing broker will be held liable for the Human Relations Act violations only.
6. A couple visited a time-share property and received a gift of a portable color television for signing a purchase agreement for a time-share interest that day. Four days later, the couple decided not to go through with the transaction. Under what circumstances may they void the contract?
 1. The couple is bound to the terms of the purchase agreement and does not have the right to cancel the purchase.
 2. The couple may cancel the purchase agreement until midnight of the fifth day following the purchase, and they may keep the portable color television.
 3. Although the couple may cancel the purchase agreement, they must return the portable color television.
 4. Because it is illegal to offer promotional prizes and gifts as an inducement, the purchase agreement is void.

7. The maximum compensation that will be paid from the real estate recovery fund to satisfy claims against a licensee is
 1. \$10,000.
 2. \$100,000.
 3. \$25,000.
 4. \$5,000.
8. The term *broker* includes in its definition all of the following activities *EXCEPT*
 1. appraising real estate.
 2. managing real estate.
 3. representing yourself as a real estate consultant or counselor.
 4. performing a comparative market analysis.
9. When a person obtains a final judgment against a licensee and seeks payment from the real estate recovery fund, what is the time frame for making application for payment from the fund?
 1. No more than one year after the termination of the proceedings, including reviews and appeals, in connection with the judgment
 2. Within six months of the date of the violation that resulted in the judgment being issued
 3. Within 30 days of the initial decision of the court directing the licensee to pay compensation
 4. At any time after termination of the proceeding because no specific time frame is provided by law
10. In order to qualify for examination as a broker, the candidate must
 1. have been actively employed as a licensed salesperson for at least three years.
 2. be a resident of Pennsylvania.
 3. submit recommendations from at least two brokers licensed in Pennsylvania.
 4. be a high school graduate or have passed a high school general equivalency examination.
11. While negotiating terms of a listing contract with a seller, the seller suggests a listing price significantly below what the salesperson believes the property would sell for in the open market. What is the *BEST* course of action for the licensee to follow?
 1. List the property at the seller's price in anticipation of a fast sale and easy commission
 2. Recommend a net listing at the seller's suggested price
 3. Disclose the salesperson's professional opinion of value and recommend that the property be listed at market value
 4. Directly purchase the property at the seller's price without entering into a listing contract
12. An unlicensed salesperson negotiated the sale of real estate in return for the promise of compensation. After the transaction closes, the salesperson encounters difficulty collecting the agreed fee. In this situation, the salesperson may
 1. file a civil lawsuit against the seller in the court of common pleas in the county where the property is located.
 2. file a claim for compensation from the real estate recovery fund.
 3. record a lien against the property for the amount owed.
 4. do nothing to recover the agreed compensation.
13. Real estate licensing is required in order to engage in
 1. the negotiation of leases by employees of a public utility.
 2. the sale of time-share interests.
 3. the sale of property by an individual acting as a trustee in a bankruptcy proceeding.
 4. the sale of real estate by a licensed auctioneer at a bona fide auction.

14. Which of the following people must have a real estate broker's license in order to transact real estate business?
1. Owners of a six-unit building who manage it personally, collect rents, and show the apartments to prospective tenants
 2. Managers of large apartment buildings who are directly employed by the owner and who show apartments to prospective tenants as part of their regular duties
 3. Individuals who negotiate the sale of entire businesses, including their stock equipment and buildings, for a promised fee
 4. Individuals who have power of attorney to negotiate the sale of their parents' residence
15. The onsite property manager employed directly by the owner of the apartments is responsible for collecting rents for the apartments. In this position, the onsite manager
1. must have a broker's license.
 2. is exempt from the licensing.
 3. must have a salesperson's license.
 4. is not required to be licensed if she is an independent contractor.
16. An associate broker is changing employing brokers. While the change of employment forms are being processed by the commission, the associate broker may
1. represent both employing brokers until the new license is received.
 2. continue to list properties for sale in the name of the former employing broker.
 3. manage a branch office on behalf of the new employing broker.
 4. act as a transaction licensee without representing either broker until the new license is processed.
17. A landlord has a "no pets" policy in her apartment building. A trainer or handler of guide dogs for persons with disabilities wants to rent an apartment from the landlord and requests that guide dogs be permitted in the apartment. Does the landlord have to let the guide dogs in?
1. The Pennsylvania Human Relations Act specifically prohibits the landlord from refusing to rent to the handler or trainer of guide or support animals on the basis of the owner's "no pets" policy.
 2. If the landlord's "no pets" policy is applied uniformly in a nondiscriminatory manner, it may be legally applied to guide dogs as well.
 3. Under the Pennsylvania Human Relations Act, the landlord may not discriminate against the visually impaired person on the basis of a "no pets" policy, but the landlord may require the tenant to pay an additional security deposit or charge a higher rental rate.
 4. The Pennsylvania Human Relations Act does not address the issue of guide, hearing, or support dogs or other animals.
18. If a licensed salesperson or associate broker desires to change employment from one licensed broker to another, what is required in order for the licensee to conduct activities on behalf of the new employing broker?
1. The salesperson or associate broker may not engage in any activity on behalf of the new employing broker until a new license is received from the commission.
 2. The salesperson or associated broker must notify the commission in writing no later than 10 days after the intended date of change, pay the required fee, and return the current license.
 3. The previous employing broker and prospective employing broker must agree to the license transfer before the commission will issue the new license.
 4. The salesperson or associate broker must provide a current state police criminal record check with the application for license transfer.

19. A purchaser tenders an earnest money deposit check with an offer to purchase and instructs the salesperson not to deposit the check until the seller accepts the offer. What should the salesperson do?
1. The check must be deposited by the end of the next business day following its receipt.
 2. If the salesperson is a buyer's agent, the salesperson must follow the instruction of the buyer and refrain from depositing the check.
 3. The salesperson may refrain from depositing the check only if the broker's office policy permits such conduct.
 4. If both the buyer and the seller have given written permission, the deposit check may be held pending the seller's acceptance of the offer.
20. Which of the following activities would MOST likely result in disciplinary action against a broker?
1. Allowing a newly licensed salesperson to hold open houses for the public before completing the company's training program
 2. Requiring associate brokers in the broker's employ to agree to non-compete clauses in their employment contracts
 3. Having a salesperson employed by the broker found guilty of making a misrepresentation, even if the broker had no knowledge of the misrepresentation
 4. Paying a bonus directly to a licensed salesperson employed by another licensed broker
21. Which of the following is *TRUE* regarding a broker's escrow account?
1. As long as all parties to the transaction agree in writing, the broker's escrow duty may be waived.
 2. If a dispute arises between the parties over entitlement to the money that is held in escrow, the broker retains the money in escrow until the dispute is resolved.
 3. Funds received must be deposited in the broker's escrow account by the end of the next business day following their receipt by the salesperson involved in the transaction.
 4. The account must be an interest-bearing account if the funds will be held for more than six months.
22. Regarding interest paid on an escrow account maintained by the broker, interest earned on an escrow account
1. does not begin to accrue on the deposit until it has been held in the broker's escrow account for at least six months.
 2. is disbursed in the same manner as the principal amount unless the parties to the transaction agree otherwise.
 3. belongs to the broker as compensation for managing and maintaining the account on behalf of buyers and sellers.
 4. may not be earned on escrow accounts because of the difficulty in allocating the interest to the appropriate parties.
23. Under the terms of a sales contract, the seller is required to pay for and provide a termite certificate. The seller requests that the salesperson order one. The salesperson does so, knowing he will receive a referral fee directly from the pest control company. The referral fee is not discussed with the seller. Is this a violation of the license law?
1. No, if the fee is split with the broker
 2. Yes, because the licensee did not disclose the compensation to the consumer
 3. No, if the fee is less than \$25
 4. Yes, because fees may be paid to the salesperson only by the seller
24. Which of the following could be construed as the unauthorized practice of law?
1. Making sure that the written agreement of sale includes a statement as to whether the broker is the agent of the seller or the agent of the buyer
 2. Informing the buyer of the broker's personal opinion of the condition of the seller's title to the property
 3. Providing each party with a written estimate of reasonably foreseeable expenses associated with the sale before the agreement of sale is executed
 4. Keeping copies of all documents involved in the transaction on file for three years after consummation of the transaction

25. A broker received an earnest money deposit from a buyer. Under Pennsylvania law, the broker should
1. deposit the money in an existing escrow account in which all earnest money received from buyers may be held at the same time.
 2. open a special, separate escrow account that will contain funds for this transaction only, separate from funds received in any other transaction.
 3. immediately (or by the next business day) deposit the earnest money in the broker's personal interest-bearing checking or savings account.
 4. hold the earnest money deposit in a secure place in the broker's real estate brokerage office until the transaction closes.
26. Which statement is *TRUE* regarding the broker's escrow account?
1. Upon written request of the commission, the broker must provide a letter authorizing release of records pertaining to the account.
 2. The escrow account must be an interest-bearing account.
 3. The escrow account may designate the broker's company attorney as trustee of the account.
 4. Brokers acting as property managers may deposit rents collected into the escrow account until they can be paid to the building owner.
27. During a listing presentation, a prospective seller informs the salesperson of his intent to refuse to sell the property to persons of a specific national origin group. What is the *BEST* course of action for the salesperson in this situation?
1. List the property but document the conversation in the listing file with reference to company policy of nondiscrimination
 2. List the property and follow the instructions of the seller as is required under the law of agency
 3. Refuse to list the property for sale if the seller persists in his intention to discriminate because of the national origin of a buyer prospect
 4. Refuse to accept a written exclusive listing on the property but agree to represent the seller under an oral open-listing agreement
28. When advertising an individual property for sale, the broker must also include
1. a statement or logo affirming the broker's commitment to nondiscriminatory business practices.
 2. the price of the property being advertised.
 3. the business name of the broker as designated on the license.
 4. the name and business phone number of the listing salesperson or associate broker.
29. Pennsylvania real estate salespersons may lawfully collect compensation for engaging in real estate activities from
1. either a buyer or a seller.
 2. any party to the transaction or the party's representative.
 3. their employing broker only.
 4. a licensed real estate broker who cooperated with the salesperson's employing broker.
30. A real estate salesperson decides to sell her own property for sale by owner. When advertising the property, the salesperson
1. must disclose the name, address, and phone number of her employing broker.
 2. does not need to disclose her license status in the advertisement.
 3. is prohibited from advertising as a for sale by owner.
 4. must disclose in the advertisement the fact that she is a real estate licensee.
31. Upon obtaining an exclusive listing, a broker or licensed salesperson is obligated to
1. place advertisements in the local newspapers.
 2. cooperate with every real estate office wishing to participate in the marketing of the listed property.
 3. set up a listing file and issue it a number in compliance with Pennsylvania Real Estate Commission Rules and Regulations.
 4. give the person or persons signing the listing a legible, signed, true, and correct copy.

32. A broker lists a commercial property for sale. The listing
1. must state that payments of money received by the broker on account of a sale shall be held by the broker in escrow pending consummation or termination of the transaction.
 2. must include a cancellation notice to terminate the contract after the original term.
 3. is exempt from requirements governing disclosures regarding the real estate recovery fund.
 4. is required to be an exclusive right-to-sell contract.
33. A property owner will be leaving the state for at least a year. She lists the property with a broker on an exclusive right-to-sell basis for a term of six months. Which of the following should be included in the listing contract?
1. Language authorizing the broker to execute a signed agreement of sale on behalf of the owner
 2. Specific language requiring a cancellation notice to terminate the listing agreement at the end of the six-month listing period
 3. Automatic renewal clause in case the property does not sell during the original six-month period
 4. Statement in boldfaced type that the broker earns a commission on the sale of the property during the listing period no matter who made the sale, including the owner
34. In Pennsylvania, which of the following is legal and will *NOT* result in a broker facing suspension or revocation of the broker's license?
1. Being legally declared mentally incompetent
 2. Depositing earnest money received into the firm's escrow account
 3. Helping another person cheat on the licensing examination
 4. Displaying a For Sale sign on a property without the owner's written consent
35. An agreement between a rental listing referral agent and a prospective tenant must include
1. the rental specifications desired by the prospective tenant, such as location and rent.
 2. a guarantee that the purchaser will find a satisfactory rental unit through the service.
 3. an itemized list of charges payable to the rental listing referral agent.
 4. a disclosure that the rental listing referral agent will act as the agent of the lessee when negotiating lease terms.
36. A property owner wants to list his property for sale with a broker but does not want to sign an exclusive listing contract. May the broker accept an oral open listing?
1. Yes, as long as the licensee provides the seller a written memorandum stating the terms of the agreement
 2. No, because commission rules require that all contracts and agreements be in writing
 3. No, because the statute of frauds requires that listing agreements be in writing in order to be enforceable
 4. Yes, as long as the parties agree that the licensee is not acting as an agent of the seller in the transaction
37. How accurate are statements of estimated cost and return provided by licensees required to be?
1. Within 10% of the actual figures determined at settlement
 2. No specific requirement regarding accuracy of the information provided because it is estimated
 3. As accurate as may be reasonably expected of a person having knowledge of and experience in real estate sales
 4. Within \$500 of the actual cost or return in order to avoid liability
38. If an agreement of sale is conditioned on the ability of the buyer to obtain mortgage financing, all of the following must be included in the agreement *EXCEPT*
1. the deadline for the buyer to obtain the mortgage loan.
 2. a copy of the buyer's credit report.
 3. the nature and extent of assistance that the broker will render to the buyer.
 4. the type of mortgage.

39. Which statement is *TRUE* concerning a salesperson licensee who is convicted of a felony or misdemeanor while holding an active salesperson's license?
1. The licensee is only required to notify the commission if the offense involved activities related to acts for which a real estate license is required.
 2. The salesperson's license is automatically suspended if the individual is convicted of a felony or misdemeanor.
 3. The employing broker of the salesperson licensee is responsible for notifying the commission and recommending appropriate disciplinary action.
 4. The licensee must notify the commission of the conviction within 30 days of the verdict.
40. A licensed salesperson may prepare a comparative market analysis when
1. the salesperson is attempting to secure a listing agreement from an unrepresented seller.
 2. the property owner requests the analysis for purposes of appealing a property tax assessment.
 3. the mortgage lender contracts with the salesperson to perform the analysis for a mortgage loan application.
 4. the salesperson has completed a required course on the Uniform Standards of Professional Appraisal Practice.

ANSWER KEY

1. **4** The answer is make and enforce the rules by which all real estate licensees must abide. The Pennsylvania Real Estate Commission administers and enforces laws governing the conduct of licensees (404). The state legislature enacts laws that govern licensees. The Department of State arranges for the services of a professional testing service to write and administer examinations (403).
2. **3** The answer is a random selection of licensees currently active. The commission may not investigate a random selection of licensees. The Pennsylvania Real Estate Commission may commence an investigation of a licensee's conduct upon its own motion as well as upon receipt of a verified complaint in writing from a consumer (604).
3. **3** The answer is issue licenses and registration certificates to persons who comply with provisions established by the license law. The Pennsylvania Real Estate Commission does not have statutory authority to issue licenses. Licenses are issued by the Department of State (401). The commission prescribes subjects to be tested (403), approves schools (402), and may waive continuing education requirements (404.1).
4. **3** The answer is campground membership salesperson. Campground membership salespeople are required to be licensed and are subject to disciplinary action on the part of the commission (581). Appraisal firms are regulated by the state Board of Certified Real Estate Appraisers rather than by the Pennsylvania Real Estate Commission. Officers of banking institutions and attorneys-in-fact are excluded from the license law (304).
5. **1** The answer is the employing broker might not have her license revoked as a result of the salesperson's violations. License law provides that the employing broker might not be liable for a violation committed by a licensee employed by the broker. If the broker had actual knowledge, or if the licensee engaged in a course of dealing that the broker should have been aware of, liability could accrue to the employing broker (702(a)(c)).
6. **2** The answer is the couple may cancel the purchase agreement until midnight of the fifth day following the purchase, and they may keep the portable color television. A purchaser has the right to cancel a time-share purchase until midnight of the fifth day following the date on which the purchaser executed the purchase contract (609(a)). Any promotional prizes or gifts issued to the purchaser remain the property of the purchaser (609(d)).
7. **2** The answer is \$100,000. The liability of the recovery fund may not exceed \$20,000 for any one claim and may not exceed \$100,000 per licensee (803(d)).
8. **1** The answer is appraising real estate. Appraisal activities are regulated by the state Board of Certified Real Estate Appraisers rather than by the Pennsylvania Real Estate Commission. A broker may manage real estate, do a comparative market analysis, and be a real estate consultant or counselor.
9. **1** The answer is no more than one year after the termination of the proceedings, including reviews and appeals, in connection with the judgment. License law provides that an aggrieved person who has been awarded a judgment by a court of competent jurisdiction must make application to the recovery fund no more than one year after the termination of the proceedings, including reviews and appeals (803(b)(4)).
10. **4** The answer is be a high school graduate or have passed a high school general equivalency examination. An individual who wants to take the broker's examination must be a high school graduate or have passed a high school general equivalency exam (511). There is no residency requirement, and candidates may possess education or experience that the commission considers equivalent to three years' experience as a licensed salesperson. Recommendations are required for licensure as a broker rather than as a condition of taking the examination.

11. 3 The answer is disclose the salesperson's professional opinion of value and recommend that the property be listed at market value. The licensee should disclose a professional opinion of value and recommend that the property be listed at market value. A licensee is expected to exercise reasonable professional skill and care when dealing with the public and to deal honestly and in good faith (606.1(a)).
12. 4 The answer is do nothing to recover the agreed compensation. The unlicensed person may do nothing. An unlicensed salesperson is involved in illegal activity and has no recourse to recover compensation (302).
13. 2 The answer is the sale of time-share interest. A time-share salesperson's license is required to sell time-shares (201). Employees of a public utility, trustees in bankruptcy, and licensed auctioneers are all exempt from licensing requirements (304).
14. 3 The answer is individuals who negotiate the sale of entire businesses, including their stock equipment and buildings, for a promised fee. Negotiating the sale of real estate for another in return for a fee is a license-required activity. Residential multifamily property managers who are employed directly by the owner, persons holding power of attorney, and owners conducting real estate business with regard to their own property are excluded from the license law (304).
15. 2 The answer is exempt from the licensing. Any persons employed by an owner for the purpose of managing or maintaining multifamily residential property are excluded under the license law with regard to certain activities they may perform (304(10)). Collecting rents in this situation would not be an activity requiring licensure.
16. 3 The answer is manage a branch office on behalf of the new employing broker. The associate broker may manage a branch office on behalf of the broker. When an associate broker changes employment from one broker to another, the associate may, in the interim when the new license is being processed, maintain a copy of the notification sent to the commission as a temporary license pending receipt of the new license (603(a)).
17. 1 The answer is the Pennsylvania Human Relations Act specifically prohibits the landlord from refusing to rent to the handler or trainer of guide or support animals on the basis of the owner's "no pets" policy.
18. 2 The answer is the salesperson or associated broker must notify the commission in writing no later than 10 days after the intended date of change, pay the required fee, and return the current license. Whenever a licensed salesperson or associate broker desires to change employment from one licensed broker to another, the salesperson must notify the commission in writing no later than 10 days after the intended date of change, pay the required fee, and return the current license (603(a)).
19. 4 The answer is if the buyer and the seller have given written permission, the deposit check may be held pending the seller's acceptance of the offer. If an earnest money deposit is in the form of a check accompanying an offer to purchase, a broker may, with the written permission of both the buyer and seller, refrain from depositing the check pending the seller's acceptance of the offer (35.324(b)).
20. 4 The answer is paying a bonus directly to a licensed salesperson employed by another licensed broker. License law specifically prohibits a broker from paying a commission or other valuable consideration to anyone other than the broker's licensed employees or another real estate broker (604(a)(12.1)).
21. 2 The answer is if a dispute arises between the parties over entitlement to the money that is held in escrow, the broker retains the money in escrow until the dispute is resolved. If a dispute arises, the broker retains the escrow until the dispute is resolved (35.327). A broker's duty to escrow may not be waived or altered by agreement between the parties to the transaction, between the broker and the parties, or between the broker and other brokers involved in the transaction (35.322). If the money is expected to be held in escrow for more than six months, the broker is encouraged to deposit the money into an interest-bearing account. However, most escrow accounts do not bear interest.

22. **2** The answer is is disbursed in the same manner as the principal amount unless the parties to the transaction agree otherwise. Any interest earned is held and disbursed pro rata in the same manner as the principal unless the parties agree otherwise (35.325(c)). Brokers may deposit funds in escrow accounts earning interest, and they are encouraged to do so if money is expected to be held in escrow for more than six months.
23. **2** The answer is yes, because the licensee did not disclose the compensation to the consumer. The nondisclosure is a violation of the law. License law (606.1(a)(13)) requires licensees to disclose to the consumer any financial interest (including referral fees) derived from services to be provided to the consumer by any other person, including inspection services.
24. **2** The answer is informing the buyer of the broker's personal opinion of the condition of the seller's title to the property. Opinions regarding condition of title to the property being sold could constitute the practice of law and should be avoided. Mandatory requirements and disclosures are addressed in the law (608.2(1)), requirements regarding estimates of cost and return are addressed in 35.334, and records must be maintained for three years (604(a)(6)).
25. **1** The answer is deposit the money in an existing escrow account in which all earnest money received from buyers may be held at the same time. Brokers are required to maintain a separate custodial or escrow account separate from any business or personal account. The broker is required to keep records of all funds deposited into the account. There is no requirement to maintain a separate account for each deposit (35.325 and 604(a)(5)).
26. **1** The answer is upon written request of the commission, the broker must provide a letter authorizing release of records pertaining to the account. Commission rules require the broker to provide a letter authorizing the release of records pertaining to the escrow account (35.325(d)). A broker's escrow account is required to designate the broker as trustee. If money is expected to be held in escrow for more than six months, the broker is encouraged to deposit the money into an interest-bearing escrow account. The general, recognized practice is that escrow accounts do not bear interest. Rents must be deposited in a rental management account maintained by the broker, not in the broker's escrow account.
27. **3** The answer is refuse to list the property for sale if the seller persists in his intention to discriminate because of the national origin of a buyer prospect. Both license law and fair housing law make it illegal for a broker to accept any listing on the understanding that illegal discrimination in the sale or rental of housing will be practiced. Accepting a listing on such conditions subjects the licensee to possible disciplinary action by both the Pennsylvania Real Estate Commission and the Pennsylvania Human Relations Commission (604(a)(22)).
28. **3** The answer is the business name of the broker as designated on the license. The business name of the broker as designated on the license must be included in all advertising (35.305). The phone number of the broker must be included if the advertisement includes the name and phone number of a salesperson or associate broker.
29. **3** The answer is their employing broker only. License law prohibits salespersons or associate brokers from accepting compensation from anyone other than their employing broker (604(a)(12)).
30. **4** The answer is must disclose in the advertisement the fact that she is a real estate licensee. All licensees are required to disclose their license status in advertisements for property if the property is not listed for sale with a real estate company (35.304).

31. **4** The answer is give the person or persons signing the listing a legible, signed, true, and correct copy. License law requires the licensee to furnish a copy of the listing to all signatories at the time of execution (604(a)(9)). Although brokers normally set up a listing file, advertise properties, and cooperate with other brokers, none of these activities are required by rule or statute.
32. **1** The answer is must state that payments of money received by the broker on account of a sale shall be held by the broker in escrow pending consummation or termination of the transaction. A commercial listing must state that money received by the broker will be held by the broker in escrow pending consummation or termination of the transaction (35.331). All listings must contain information about the existence of the recovery fund. There is no requirement that a commercial listing be an exclusive right-to-sell contract. The broker may not require notification to terminate the listing. Requirements governing inclusions and exclusions in listing agreements cover both residential and commercial property listings without distinction.
33. **4** The answer is statement in boldfaced type that the broker earns a commission on the sale of the property during the listing period no matter who made the sale, including the owner. Exclusive right-to-sell listing contracts are required to contain a statement in boldfaced type that the broker earns a commission on the sale of the property during the listing period, no matter who made the sale, including the owner (35.332(b)). An exclusive listing may not contain an automatic renewal clause or language giving the broker authority to execute an agreement of sale. The broker may not require a cancellation notice to terminate the listing at the end of the six-month period (35.332(c)).
34. **2** The answer is depositing earnest money received into the firm's escrow account. The broker is required to deposit earnest money into an escrow account. Erecting a For Sale sign without written consent is a violation of 604(a)(8), and the issue of honesty and competency is addressed under 604(a)(20).
35. **1** The answer is the rental specifications desired by the prospective tenant, such as location and rent. An agreement between a rental listing referral agent and a prospective tenant must contain the rental specifications desired by the tenant, such as location and rent (35.335). The only function of the rental listing referral agent is to furnish the prospective tenant with lists of available rental units.
36. **1** The answer is yes, as long as the licensee provides the seller a written memorandum stating the terms of the agreement. Commission rules provide for oral open listings with sellers, provided certain conditions are met (35.281(b)). Oral open listings may be used to create an agency relationship. The statute of frauds does not apply to listing contracts.
37. **3** The answer is as accurate as may be reasonably expected of a person having knowledge of and experience in real estate sales. Rules of the commission require that the estimates of costs required to be provided to the parties be as accurate as may reasonably be expected of a person having knowledge of and experience in real estate (35.334(b)).
38. **2** The answer is a copy of the buyer's credit report. There is no requirement that a buyer include a copy of the buyer's credit report with an offer to purchase property. Commission rules specify what must be included if an agreement of sale is conditioned on the ability of the buyer to obtain mortgage financing (35.333(b)). These include a deadline for the buyer to obtain the loan commitment, assistance that the broker will provide the buyer, and the type of mortgage.
39. **4** The answer is the licensee must notify the commission of the conviction within 30 days of the verdict. A licensee must notify the commission of being convicted of, or pleading guilty or nolo contendere to, a felony or misdemeanor within 30 days of the verdict or plea. The notification requirement applies to any conviction, regardless of the offense involved (35.290).
40. **1** The answer is salesperson is attempting to secure a listing agreement from an unrepresented seller. A comparative market analysis may be performed for the purpose of determining the offering price for property when a salesperson is securing a listing agreement with the seller (201 and 608.3).

TEST SCORE

Simulated State Exam II			
Rating	Range	Your Score	
Good = 87.5% to 100%	35–40	Total Number	40
Fair = 75% to 85%	30–34	Total Wrong	–
Needs improvement = Lower than 75%	29 or less	Total Right	–



10 UNIT



Brokers Only

The brokers' licenses have evolved in their requirements. Although the total number of hours has stayed fairly constant, how brokers are credited with them has changed greatly. In the 1980s, the requirement was bumped up to always asking for 240 hours. Back then, there were several choices of approved courses. Gradually, the commission required management and law, and today requires 3 out of 8 areas to be covered in the 240 hours with no more than 60 hours in any one area. These areas include (1) valuation of income properties, (2) valuation of residential properties, (3) management of commercial properties, (4) management of residential properties, (5) finance, (6) investment, (7) commercial, and (8) sales. Unlike the content of the 60 hours for salespersons, these 240 hours do not directly correlate with the PSI exam. Only the law course might cover PSI exam curriculum.

How brokers are tested has changed too. Years ago, brokers needed to score a 75% to pass, while salespeople only needed 70%. (Today, salespeople require a 75% to pass also.) In 2011, for brokers, PSI increased the state specific portion of the test to 40, while salespeople still have 30 questions. That means that a broker candidate must finish 40 questions in the same **hour** given to the salesperson to complete 30. This does not mean that brokers should rush, but the reality is that they have more to finish in an hour with the addition of two sections from the law. Brokers are tested on all the covered material of this book so far, as well as two additional areas. The additional areas are (1) qualified associations and (2) office requirements and inspections.

OUTLINE

I. QUALIFIED ASSOCIATIONS¹

A. Broker may pay the following:

1. Commissions
2. Compensation

B. To the following:

1. Salespersons
2. Associate brokers

C. For the following:

1. Real estate services
2. Real estate related services

D. The Commission can suspend or revoke the license of a person owning an interest in a qualified association that does any of the following:

1. Participates in any of the acts prohibited by section 604 C
2. Is not solely owned by licensees who are all affiliated with the same broker
3. Holds itself out to the public as providing real estate services or real estate-related services

II. A BROKER'S RESPONSIBILITIES²

A. Negotiate or aid with interests in real estate

1. Purchase
2. Lease
3. Acquire

B. Negotiate

1. Listings, sales, exchanges, leases, time-shares, or similar interests
2. Finance or create options

C. Manage real estate

D. Represent self as a

1. consultant,

¹ This outline comes from the Prohibited Acts (604 C and 604 A 31) added in 2009. It was passed because so many offices were developing “teams” organized as business entities such as partnerships, corporations, or LLCs. It allowed such a business affiliation to be compensated, allowing the entity to divide the compensation as it saw fit.

² This outline comes from the Acts and Rules (Section 201 and 35.201. Definitions.) defining a broker.

2. counselor, and
3. house finder

E. Promote real estate (unless sole business is advertising, promotion, or public relations)

F. Perform CMAs

III. DUTY TO MAINTAIN AN OFFICE³

A. Fixed location in commonwealth

B. Licenses maintained in main office with brokers

C. Address of broker on all licenses

D. Move office

1. All licensees apply
 - a) Within 10 days before
 - b) Pay fee

E. Commission grants license for remaining term if new location complies

F. Sign outside with broker's name

G. Home

1. Separate entrance
2. Privacy
3. Cannot have salespeople work there

H. Branch offices

1. Apply in his name with location
2. Supervised by broker or associate broker

IV. INSPECTIONS

A. Routine

1. Limit of four times a year
2. Is office in compliance?

B. Special

1. Complaint of violation
2. Follow up

C. Prior to commission will give notice

³ The following sections come from the rules and regulations (35.241-35.246 and 35.252-254) on office requirements and inspections.

D. Permissible acts

1. Transaction records
2. Corporate or association records

E. All areas of the office

F. Interview all licensees or non-licensed employees

G. Get broker's permission in writing to release copies of escrow accounts

V. TERMINATION OF BUSINESS

A. 15 days following death

B. Commission appointed

C. No new listings

D. Unexpired good for 90 days (with seller's permission)

E. Pendings may proceed to consummation

F. No new licensees hired

VI. SUBSTITUTION DUE TO ILLNESS OR INJURY

A. Attorney or one with power of attorney shall notify commission

B. Within 15 days appoint interim

DIAGNOSTIC TEST

1. A broker who operated a sole proprietorship dies. Another licensed broker is now supervising the termination of the business of the deceased broker. The second broker may
 1. take new listing agreements not to exceed a term of 90 days.
 2. not take pending agreements of sale to closing.
 3. promote unexpired listings unless the seller elects to cancel the agreement.
 4. hire new licensees.
2. During the course of a routine or special inspection, the commission or its authorized representative will be permitted to do all of the following *EXCEPT*
 1. examine records of the office pertaining to real estate transactions.
 2. interview consumers who are presently conducting business during the inspection.
 3. inspect all areas of the office.
 4. obtain written authorization to access records of the broker's escrow account.
3. A broker operating as a sole proprietor wants to locate the main office of his business at his personal residence. In this case, all of the following requirements would apply *EXCEPT*
 1. the entrance to the office must be separate from the entrance to the residence.
 2. the broker may not employ salespeople or associate brokers to work at an office in a personal residence.
 3. the business name of the broker as designated on the license must be displayed prominently and in permanent fashion outside the office.
 4. the office must be devoted to the transaction of real estate business and be arranged to permit business to be conducted in privacy.
4. Once issued, a salesperson's license must be
 1. maintained at the main office of the employing broker.
 2. carried by the salesperson at all times.
 3. displayed in a conspicuous place at the local association of REALTORS®.
 4. presented to the consumer prior to engaging in an initial interview with the consumer.
5. Which of the following is *TRUE* of a real estate salesperson's license?
 1. It is issued in the name of the salesperson exclusively and may be used to represent more than one broker at the same time.
 2. It is not valid until the broker certifies that the salesperson has completed the company training program.
 3. It must be shown to every consumer at the initial interview.
 4. It must be maintained with the current license of the broker at the main office of the broker.
6. A broker intends to open a branch office in a neighboring town. The broker applies for a branch office license under the same name as the main office. The broker names a licensed real estate salesperson as the branch office manager. In this situation, will the broker receive approval for the branch office?
 1. No, the manager of a branch office must be a licensed real estate broker or associate broker.
 2. No, under the license law, brokers cannot have branch offices operating under the same name in more than one municipality.
 3. Yes, the broker is in compliance with the requirement that a broker may directly control and supervise only one office or branch by naming a salesperson as the branch manager.
 4. Yes, the broker has fully complied with the requirements of the license law.

ANSWER KEY

1. 3 The answer is promote unexpired listings unless the seller elects to cancel the agreement. A licensed broker supervising the termination of a deceased broker's business may continue to promote existing listings unless otherwise directed by the seller but may not enter into new listing agreements or hire new licensees. Pending contracts may continue until consummation (35.252(b)).
2. 2 The answer is interview consumers who are presently conducting business during the inspection. There is no provision in the commission rules for interviewing consumers or members of the public (35.246(d)). The commission or its authorized representative may interview the broker as well as other licensed or unlicensed employees who work in the office.
3. 2 The answer is the broker may not employ salespeople or associate brokers to work at an office in a personal residence. Rules governing offices do not prohibit a licensed broker from employing salespeople or associate brokers when the broker's office is located in a private residence. The rules do provide that the office must have a separate entrance, that the business name be displayed, and that the office allow for business to be conducted privately (35.342).
4. 1 The answer is maintained at the main office of the employing broker. Commission rules require that the current license of all licensees employed by or affiliated with the broker shall be maintained at the main office of the broker (35.245(a)). There is no requirement that the actual license be carried by the salesperson, that it be presented to consumers, or that it be prominently displayed.
5. 4 The answer is it must be maintained with the current license of the broker at the main office of the broker. The current license of the broker and all licensees employed by or affiliated with that broker must be maintained at the main office of the broker (35.245(a)). The license is issued to the salesperson in order for him or her to provide service on behalf of the employing broker only. There is no requirement that it be provided to consumers.
6. 1 The answer is no, the manager of a branch office must be a licensed real estate broker or associate broker. License law requires that each branch office be under the direction and supervision of a manager who is either the broker or an associate broker (601(b)). A salesperson may not manage a licensed branch office.

Glossary¹

accredited college A college, university, or institute of higher learning recognized by the Council for Higher Education Accreditation or the United States Secretary of Education.

act The Real Estate Licensing and Registration Act (63 P. S. §§ 455.101--455.902).

agency relationship A fiduciary relationship between a broker or licensees employed by a broker and a consumer who becomes a principal.

associate broker An individual broker who is employed by another broker.

branch office Any fixed location in this Commonwealth, other than the main office, maintained by a broker or cemetery broker, and devoted to the transaction of real estate business.

broker An individual or entity holding either a standard or reciprocal license, that, for another and for a fee, commission, or other valuable consideration, does one or more of the following:

1. Negotiates with or aids a person in locating or obtaining for purchase, lease, or acquisition of interest in real estate
2. Negotiates the listing, sale, purchase, exchange, lease, time-share and similarly designated interests, financing, or option for real estate
3. Manages real estate
4. Represents himself or itself as a real estate consultant, counselor or house finder
5. Undertakes to promote the sale, exchange, purchase, or rental of real estate. This subparagraph does not apply to an individual or entity whose main business is that of advertising, promotion, or public relations.
6. Undertakes to perform a comparative market analysis
7. Attempts to perform one of the actions listed in subparagraphs (i)–(vi)

broker of record The individual broker responsible for the real estate transactions of a partnership, association, or corporation that holds a broker's license.

builder-owner salesperson An individual holding either a standard or reciprocal license, who is a full-time employee of a builder-owner of single- and multi-family dwellings located in this Commonwealth and who is authorized, for and on behalf of, the builder-owner, to do one or more of the following:

1. List for sale, sell, or offer for sale real estate of the builder-owner
2. Negotiate the sale or exchange of real estate of the builder-owner
3. Lease or rent, or offer to lease, rent, or place for rent, real estate of the builder-owner
4. Collect or offer, or attempt to collect, rent for real estate of the builder-owner.

bureau The Bureau of Professional and Occupational Affairs of the Department.

buyer agent A licensee who enters into an agency relationship with a buyer/tenant.

campground membership An interest, other than in fee simple or by lease, which gives the purchaser the right to use a unit of real property for the purpose of locating a recreational vehicle, trailer, tent, tent trailer, pickup camper, or other similar device on a periodic basis under a membership contract allocating use and occupancy rights between other similar users.

campground membership salesperson An individual holding either a standard or reciprocal license, who, either as an employee or an independent contractor, sells or offers to sell campground memberships under the active supervision of a broker. A licensed broker, salesperson, or time-share salesperson does not need to possess a campground membership salesperson's license to sell campground memberships.

cemetery

1. A place for the disposal or burial of deceased human beings, by cremation or in a grave, mausoleum, vault, columbarium, or other receptacle
2. The term does not include a private family cemetery.

cemetery associate broker An individual cemetery broker employed by another cemetery broker or by a broker.

¹ Source: Rules and Regulations of the State Real Estate Commission, Subchapter B, General Provisions, 35.201. Definitions

cemetery broker An individual or entity holding either a standard or reciprocal license, that is engaged as, or carrying on the business or acting in the capacity of, a broker exclusively within the limited field or branch of business that applies to cemetery lots, plots, and mausoleum spaces or openings.

cemetery company An individual or entity that offers or sells to the public the ownership, or the right to use, a cemetery lot.

cemetery salesperson An individual holding either a standard or reciprocal license, employed by a broker or cemetery broker exclusively to perform the duties of a cemetery broker.

commission The State Real Estate Commission.

comparative market analysis A written analysis, opinion, or conclusion by a contracted buyer's agent, transactional licensee, or an actual or potential seller's agent relating to the probable sale price of a specified piece of real estate in an identified real estate market at a specified time, offered either for the purpose of determining the asking/offering price for the property by a specific actual or potential consumer or for the purpose of securing a listing agreement with a seller.

consumer An individual or entity who is the recipient of any real estate service.

credit A period of 15 hours of instruction.

department The Department of State of the Commonwealth.

designated agent One or more licensees designated by the employing broker, with the consent of the principal, to act exclusively as the agent or agents for the principal to the exclusion of all other licensees within the broker's employ.

distance education Real estate instruction delivered in an independent or instructor-led format during which the student and the instruction are separated by distance and sometimes time.

dual agent A licensee who acts as an agent for the buyer/tenant and seller/landlord in the same transaction.

hour of instruction A period of at least 50 minutes.

independent learning An interactive educational program, including computer-based technology courses, that provides no contact with an instructor.

initial interview The first substantive discussion between a licensee and a consumer about the consumer's real estate needs.

instructor-led learning An interactive educational program, including a classroom or simulated classroom, that provides significant ongoing contact from the instructor to the participant during the learning process.

licensee An individual or entity holding either a standard or reciprocal license, under the Act. For purposes of the consumer notice in § 35.336(a) (relating to disclosure summary for the purchase or sale of residential or commercial real estate or for the lease of residential or commercial real estate when the licensee is working on behalf of the tenant), the term means a broker or salesperson.

listing broker A broker who has entered into a written agreement with a seller/landlord to market property as a seller's agent, dual agent, or transaction licensee.

main office The fixed location other than a branch office of the broker or cemetery broker in this Commonwealth or another state devoted to the transaction of real estate business.

manager of record The individual rental listing referral agent responsible for the rental listing transactions of a partnership, association, or corporation that holds a rental listing referral agent's license.

nonexclusive buyer agency agreement A nonexclusive agreement governed by a memorandum or contract wherein the buyer retains the right to employ multiple brokers to purchase or lease a property.

open listing agreement A nonexclusive listing agreement governed by a memorandum or contract wherein the seller retains the right to employ multiple brokers to sell or lease a property.

principal A consumer who has entered into an agency relationship with a broker or another licensee employed by the broker.

principal place of business The fixed location of the broker or cemetery broker in the state where the licensee holds the equivalent of a standard license.

real estate An interest or estate in land—whether corporeal or incorporeal, whether freehold or nonfreehold, whether the land is situated in this Commonwealth or elsewhere—including leasehold interests and time share and similarly designated interests.

real estate education provider A person or institution who offers real estate education regardless of whether the learning is instructor-led or independent, excluding colleges, universities, or institutes of higher learning accredited by the Middle States Association of Colleges and Secondary Schools or equivalent accreditation.

reciprocal license A license issued to an individual or entity whose principal place of business for the provision of real estate services is outside of this Commonwealth and who holds a current license to provide real estate services from a state that either has executed a reciprocal agreement with the Commission or has qualifications for licensure which are substantially comparable to those required by the Commission.

rental listing referral agent

1. An individual or entity that owns or manages a business which collects rental information for the purpose of referring prospective tenants to rental units or locations of rental units
2. The term does not include an official or employee of a public housing authority that is created under State or Federal law

salesperson An individual holding either a standard or reciprocal license, who is employed by a broker to do one or more of the following:

1. Sell or offer to sell real estate, or list real estate for sale
2. Buy or offer to buy real estate
3. Negotiate the purchase, sale, or exchange of real estate
4. Negotiate a loan on real estate
5. Lease or rent real estate, or offer to lease or rent real estate or to place real estate for rent
6. Collect rent for the use of real estate, or offer or attempt to collect rent for the use of real estate
7. Assist a broker in managing property
8. Perform a comparative market analysis

seller agent A licensee who enters into an agency relationship with a seller/landlord.

standard license A license, other than a reciprocal license, issued to an individual or entity who has fulfilled the education/experience and examination requirements of the act.

subagent A licensee, not in the employ of the listing broker, who acts or cooperates with the listing broker in selling property as a seller's/landlord's agent and is deemed to have an agency relationship with the seller.

time-share

1. The right, however evidenced or documented, to use or occupy one or more units on a periodic basis according to an arrangement allocating use and occupancy rights of that unit or those units between other similar users. As used in this definition, the term "unit" is a building or portion thereof permanently affixed to real property and designed for separate occupancy or a campground membership or portion thereof designed for separate occupancy.
2. The term does not include a campground membership.

time-share salesperson An individual who, either as an employee or an independent contractor, sells or offers to sell time shares.

transaction licensee A licensee who, without entering into an agency relationship with the consumer, provides communication or document preparation services or performs other acts listed in the definition of "broker" or "salesperson".

Notes