

Document Retention

ABC Realty Company handles various real estate transactions during the course of a year. They employ over 100 licensees in their firm. They list condominiums, townhomes and single family residences to name a few. All three Brokerage Relationship representations are offered to the public. ABC also employs transaction coordinators, and they allow their licensees to hire licensed and unlicensed assistants. With the volume of business conducted by ABC's licensees, they are sometimes involved in lawsuits. They maintain a file system for all their transactions including pending, closed, and "failed to close."

A. Responsibility for Keeping Records

- 1) Because ABC Realty conducts all of their closings through Sunshine Title Company:
 - A. It is the title company's responsibility to keep all records for at least 5 years
 - B. All closing documents should be maintained by the title company and not ABC Realty
 - C. ABC must maintain all documents associated with each transaction for at least 5 years
 - D. ABC must maintain all documents associated with each transaction for at least 3 years

B. Length of time to keep records

- 2) According to the above, ABC Realty Company must maintain files on the following transactions:
 - A. Pending, closed, but not on failed to close files for at least 5 years.
 - B. All transactions that result in a written contract to purchase for at least 5 years
 - C. All transactions that result in a written contract to purchase for at least 3 years
 - D. All transactions that result in a written contract to purchase for at least 2 years

C. What information/documents must be kept:

- 3) ABC Realty must keep all of the following documents for at least 5 years except:
 - A. Purchase and Sale Contracts
 - B. Escrow records
 - C. Transaction associated documents
 - D. Transaction Broker relationship disclosure

D. Handling Transaction Documents

- 4) For those transactions involving lawsuits, ABC Realty must:
 - A. Turn all lawsuits over to Sunshine Title Company for file retention.
 - B. Keep all documents involved in lawsuits for at least two years after conclusion or five years after the closing, whichever is later.
 - C. Keep all documents involved in lawsuits for at least five years after conclusion or 5 years after the closing.
 - D. Keep all documents involved in lawsuits for at least two years after conclusion or 3 years after the closing whichever is later.

- 5) Brokers must keep certain records for at least 5 years with the exception of:
- A. Open House registers
 - B. Books, accounts and records pertaining to the brokerage business
 - C. Money, funds, deposit or checks entrusted to the broker
 - D. Listing agreements

Handling of Escrow Funds

Susan is the owner of Susan's Sunshine Realty and is the qualifying broker. She has decided to establish her own escrow account. Her licensees are directed to have escrow checks made out to 'Susan's Sunshine Realty,' and to follow the procedures for immediate deposit as defined by the State. She has a full time accountant that is a signatory on the account along with another of the firm's brokers. When new licensees join Susan's firm she gives each of them an office policy manual containing instructions on how to handle escrow deposits.

- 1) All of the following statements should be included in Susan's office policy manual pertaining to escrow checks except:
- A. All escrow checks should be made out to "Susan's Sunshine Realty".
 - B. Licensees must turn escrow checks into the office within business 3 days
 - C. Licensees should turn escrow checks into the office by the end of the next business day
 - D. Escrow checks made out to the licensee should be endorsed over to Susan's Sunshine Realty

A. Permissible disbursement of escrow funds

- 1) When a buyer and seller have conflicting demands over a Purchase and Sale contract, the following applies to Susan:
- A. She must make the determination to return the deposit to the correct party
 - B. She must notify FREC with 10 days that conflicting demands exist
 - C. She must notify FREC within 15 days of the settlement procedure selected
 - D. If an attorney or title company were to hold Susan's escrow deposits, she need not take any action

B. General requirements of escrow accounts

- 1) Once escrow deposit checks are received, Susan must have policies in place to ensure that the checks:
- A. Are deposited in the company's general operating account within 3 business days
 - B. Are held for 10 days before depositing to see if they clear the account
 - C. Are placed in the company's escrow account within 3 business days
 - D. Are deposited in the company's escrow account by the end of the next business day

2) Many of Susan's customers are from New York so she established special escrow procedures to handle their checks. She may do all of the following except:

- A. Open an escrow account in New York for the convenience of those customers
- B. Require the checks be deposited in the escrow account within 3 business days
- C. Deposit the escrow checks in a Florida commercial bank, savings association or credit union
- D. May place up to \$1,000 of her personal funds in a sales escrow account.

C. Commingling; improper use of escrow funds

1) Because Susan maintains her own escrow account, in the event of conflicting demands she:

- A. May hold those funds in the companies' operating account until the matter is settled
- B. Does not have to notify FREC unless the escrow check is in excess of \$1,000
- C. Must notify FREC within 30 days
- D. Must notify FREC within 30 days of the settlement procedure selected

D. Depository and account requirements

1) Because Susan has decided that her real estate company would have their own escrow account, all of the following are true except:

- A. The funds must be held in a Florida commercial bank, credit union or savings association.
- B. Only Susan should be a signatory on the account
- C. Susan must sign a reconciliation statement every 30 days
- D. Either Susan or other registered brokers may be designated as signatories on the escrow account

E. Interest

1) Because Susan's office sells new construction, many of her customers place substantial amounts of money on deposit as required by the builders. When those customers ask that their deposit be held in an interest bearing account, Susan must:

- A. Hold all deposits in a non-interest bearing account
- B. Hold those deposits in an interest bearing account but cannot receive the interest
- C. Have the written consent of all parties and designate who receives the interest
- D. Hold those deposits in an interest bearing account as long as the buyer receives the interest

Broker Relationships

(A) How Compensation May Be Paid

Jose has been a Real Estate licensee for the past 20 years. Currently, he holds a Broker Associate license and is employed by ABC Real Estate Company. One of his neighbors', whom Jose represented in the purchase of his house, wants to sell as a for-sale-by-owner. He asks Jose to advise him during the transaction. Jose agrees, because he knows his neighbor has been transferred by his employer many times before and each time sold on his own, without the assistance of a Realtor. Furthermore, the neighbor has promised to pay Jose 25% more than what he would normally receive from ABC Real Estate Company. It's a win-win situation because Jose makes more than normal and his neighbor saves on the commission.

- 1)
 - A. This is an acceptable arrangement because of Jose's Broker Associate status
 - B. This would be an acceptable arrangement as long as Jose receives his customary commission
 - C. This is an unacceptable arrangement unless Jose represents his neighbor in a No-Brokerage Relationship
 - D. Jose can only be compensated by his Broker-employer; accepting payment from anyone else is unacceptable

- 2) In order for Jose to accept his neighbor's offer:
 - A. The neighbor would have to pay Jose's commission directly to his Broker
 - B. Since Jose is a Broker Associate this arrangement is acceptable
 - C. The neighbor would have to agree to put his house in the multi-list to agree to pay Jose
 - D. The neighbor would have to agree to place Jose's office "For Sale" sign on his property

Maria has a new listing and the sellers have told her they are selling due to their upcoming divorce. She has agreed to represent the Sellers as a Transaction Broker. She is planning for an open house and her unlicensed assistant Joan, is joining her because the property is located on a busy street in an un-gated community and they are expecting a lot of guests. Joan entered the listing information into the Multiple Listing Service (MLS), and prepared flyers approved by Maria to hand out at the open house. The flyers contain a lot of information that is not in the MLS, including neighborhood information, and details about a remodeling project the Sellers recently finished. As the day progresses, Maria and Joan get separated and both get asked many questions about the property. Maria and Joan are both wearing their company name tags. Maria greets guests at the front door, introduces herself and asks whether they are working with other Realtors. Maria recently met with the sellers and discussed the listing price, where it was agreed that the price would be lowered by 10% if there were no offers as a result of the open house.

B. Permitted Relationships

- 1) When Maria is told by the open house guests that they are already working with an agent, she:
 - A. Should verbally inform the guests of her Transaction Broker duties
 - B. Is not required to make any agency disclosures
 - C. Should give the attendees the No Brokerage Relationship duties in writing
 - D. Should give the attendees the Single Agent Relationship duties in writing

- 2) If Maria disclosed to Buyers that the Sellers were selling their property due to divorce, she would be violating which duty?
 - A. Loyalty
 - B. Limited confidentiality
 - C. Honest & Fair
 - D. Full Disclosure

- 3) In addition to many questions about the property, Maria is asked by several guests whether the Sellers will take less than asking price for the property. Maria should disclose:
 - A. If she knows, that the sellers will take less than asking price
 - B. That the sellers will take less because she is not a Single Agent offering full confidentiality
 - C. Nothing other than asking price because of her limited confidentiality duties
 - D. That the sellers have discussed lowering the price by 10% if they don't receive any offers at the open house

- 4) During the open house, one couple (not working with an agent) told Maria they would like to make an offer on the property. The Buyers stated that if their offer wasn't accepted, they were willing to go 5% higher. Acting as a transaction broker, Maria:
 - A. Should tell the Sellers the Buyers will go 5% higher
 - B. Should not tell the Sellers the Buyers will raise their offer due to limited confidentiality
 - C. Should re-write the offer at a 5% higher price
 - D. Should not tell the Sellers the Buyers will raise their offer due to full confidentiality

Settlement Statement (HUD-1)

A Buyer and Seller have entered in a Sale and Purchase Contract for the sale of a duplex with a purchase price of \$245,000. The closing will take place at the title company where the Broker sends all of their binder deposits. The Buyer received a 70% LTV mortgage from their lender and the Seller has agreed to provide the Buyer with a purchase money mortgage in the amount of \$25,000. The Seller owes \$150,000 on their existing mortgage, which like the majority of loans contains a Due on Sale clause. The closing is scheduled for September 19 using the 365-day method. All charges will be prorated as of the day prior to Closing Date.

The Buyer's lender requires a pest inspection, survey and title insurance to be completed before closing at the Buyer's expense. The pest inspection fee is \$120.00, survey \$250.00 and title insurance, \$1,800.00. The Buyers retained an attorney to review all closing documents at a cost of \$500.00. The cost to record the deed is \$15.00 and mortgage documents 35.00. The Sellers' express mail fee to send the payoff check to their lender is \$25.00. The Buyer has purchased a hazard insurance policy with an annual premium of \$2,000. The charges for the policy will be included on the closing statement. The Buyers also gave a good faith deposit check in the amount of \$5,000. Annual real estate taxes are \$4,735 per year.

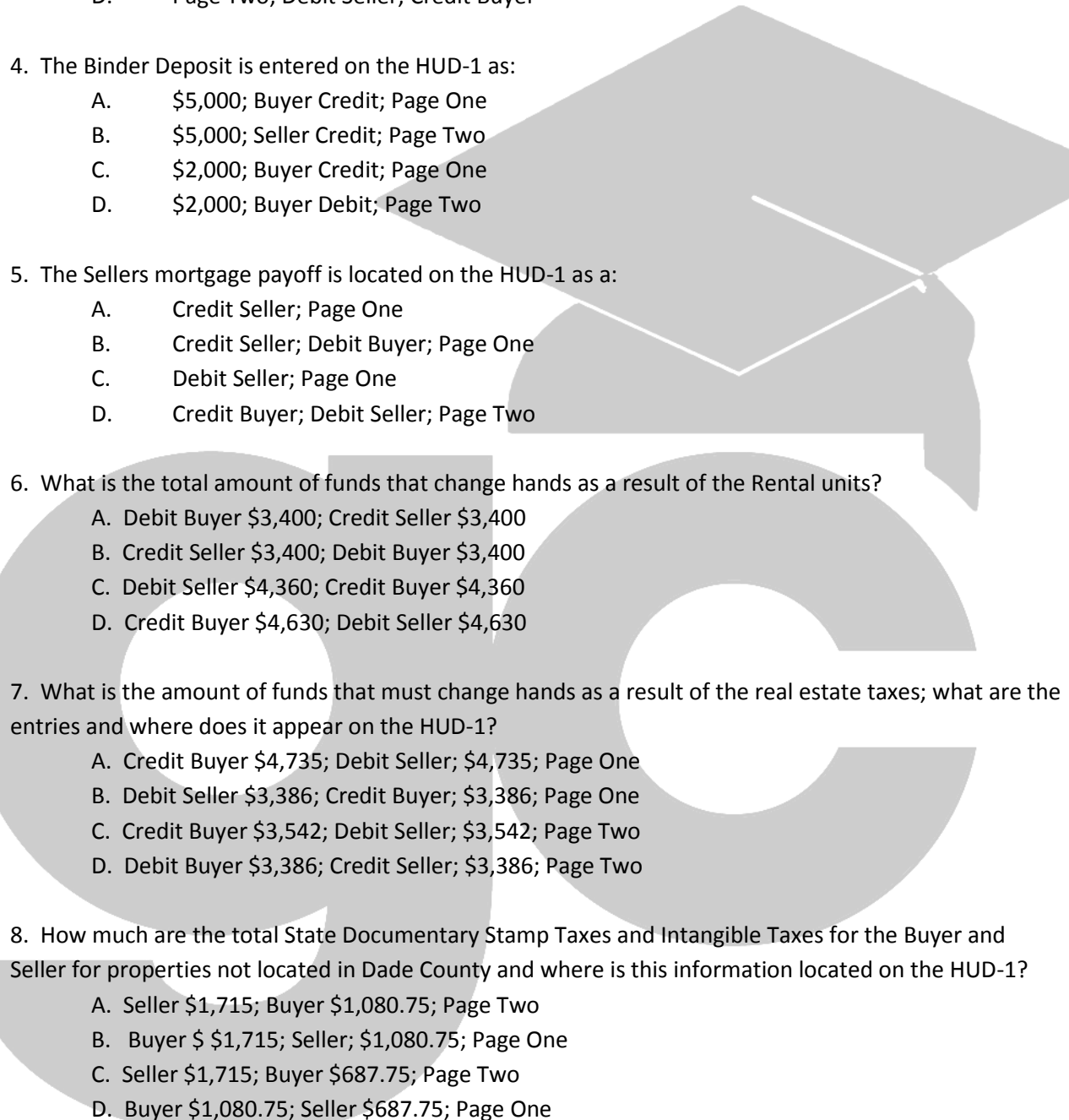
At lease inception, the Seller collected the first months rent, last months rent and a security deposit of \$500 from each tenant. The rent for each unit is \$1,200. The rent for both tenants is current, and has been paid on the first of the month.

1. Where does the Homeowners insurance show up on the HUD-1?

- A. Debit Seller; Page Two
- B. Debit Buyer, Credit Seller, Page Two
- C. Credit Buyer, Page One
- D. Debit Buyer; Page Two

2. How much is the Buyer's total mortgage amount and where does this information appear on the settlement statement?

- A. \$196,500; Debit Buyer; Page One
- B. \$171,500; Credit Buyer; Page Two
- C. \$196,500; Credit Buyer; Page Two
- D. \$196,500; Credit Buyer, Page One

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3. Where is the Sales Price located on the settlement statement?
- A. Page Two; Credit Seller; Debit Buyer
 - B. Page One; Credit Seller; Debit Buyer
 - C. Page One; Debit Seller; Credit Buyer
 - D. Page Two; Debit Seller; Credit Buyer
4. The Binder Deposit is entered on the HUD-1 as:
- A. \$5,000; Buyer Credit; Page One
 - B. \$5,000; Seller Credit; Page Two
 - C. \$2,000; Buyer Credit; Page One
 - D. \$2,000; Buyer Debit; Page Two
5. The Sellers mortgage payoff is located on the HUD-1 as a:
- A. Credit Seller; Page One
 - B. Credit Seller; Debit Buyer; Page One
 - C. Debit Seller; Page One
 - D. Credit Buyer; Debit Seller; Page Two
6. What is the total amount of funds that change hands as a result of the Rental units?
- A. Debit Buyer \$3,400; Credit Seller \$3,400
 - B. Credit Seller \$3,400; Debit Buyer \$3,400
 - C. Debit Seller \$4,360; Credit Buyer \$4,360
 - D. Credit Buyer \$4,630; Debit Seller \$4,630
7. What is the amount of funds that must change hands as a result of the real estate taxes; what are the entries and where does it appear on the HUD-1?
- A. Credit Buyer \$4,735; Debit Seller; \$4,735; Page One
 - B. Debit Seller \$3,386; Credit Buyer; \$3,386; Page One
 - C. Credit Buyer \$3,542; Debit Seller; \$3,542; Page Two
 - D. Debit Buyer \$3,386; Credit Seller; \$3,386; Page Two
8. How much are the total State Documentary Stamp Taxes and Intangible Taxes for the Buyer and Seller for properties not located in Dade County and where is this information located on the HUD-1?
- A. Seller \$1,715; Buyer \$1,080.75; Page Two
 - B. Buyer \$ \$1,715; Seller; \$1,080.75; Page One
 - C. Seller \$1,715; Buyer \$687.75; Page Two
 - D. Buyer \$1,080.75; Seller \$687.75; Page One

Answers

Document Retention

- 1) C
- 2) B
- 3) D
- 4) B
- 5) A

Handling of Escrow Funds

- 1) B

Permissible Disbursement of Escrow Funds

- 1) D

General Requirements of Escrow Accounts

- 1) C
- 2) A

Commingling; Improper use of Escrow Funds

- 1) D

Depository and Account Requirements

- 1) B

Interest

- 1) C

Broker Relationships

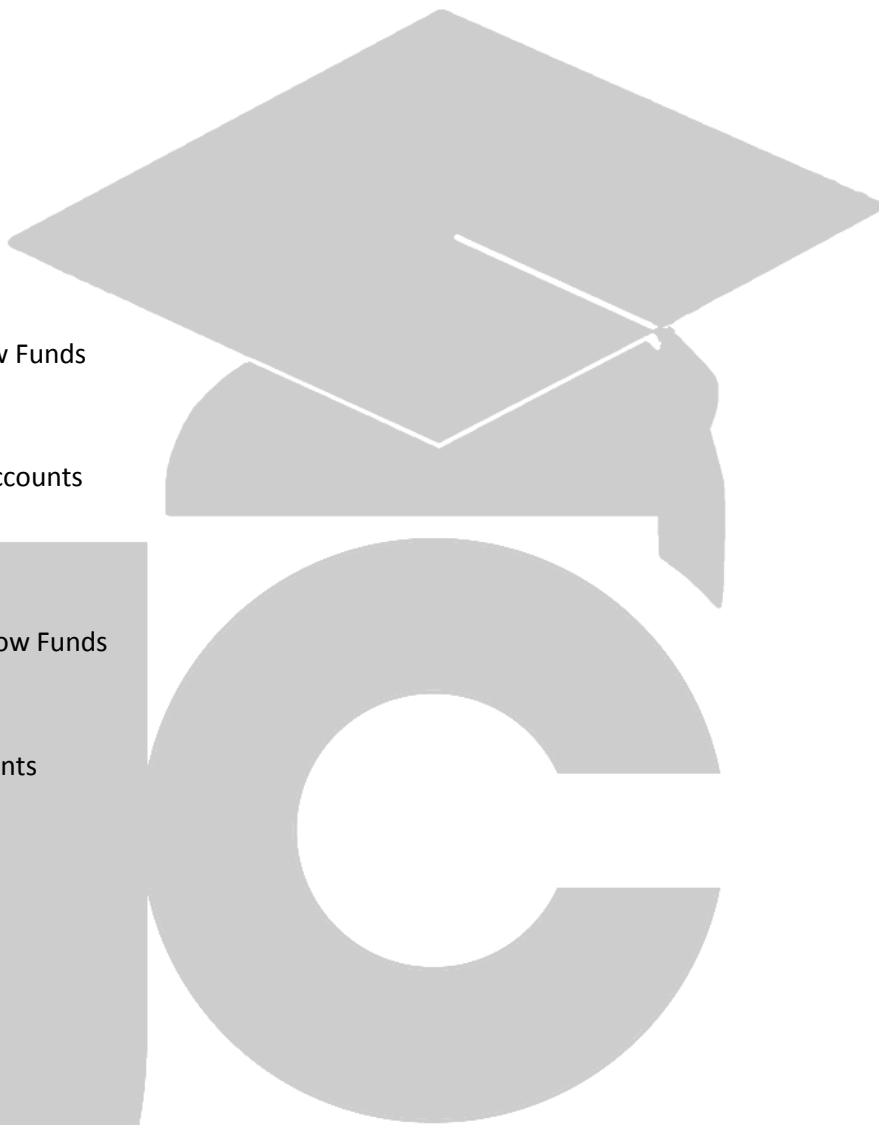
- 1) D
- 2) A

Permitted Relationships

- 1) B
- 2) B
- 3) C
- 4) B

Settlement Statement (HUD-1)

- 1) D



- 2) D
- 3) B
- 4) A
- 5) C
- 6) C
- 7) B
- 8) A



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