

CET SAMPLE TEST - Multiple Choice - Answers

- 1) Which of the following is not important when proofing a Grant Deed before sending to your Title Officer?
- a) The return address is completed
 - b) The notary section has been completed properly
 - c) The Transfer Tax is indicated on the Deed
 - d) **The County Recorder's Stamp is legible.** *The stamp is not on the Deed until the time that the document is recorded.*
- 2) Who is the party that signs a Deed of Trust?
- a) Grantee
 - b) Trustee
 - c) **Trustor.** *(this is the Borrower)*
 - d) Beneficiary
- 3) The following party is automatically entitled to obtain information about your escrow:
- a) Principals Attorney
 - b) Buyer's Lender
 - c) Seller's Daughter
 - d) **None of the above.** *Always obtain confirmation of authorization by the principals, orally or in writing, to share information with the party on the phone. Even a real estate agent calling should be confirmed as the principal's agent before offering information.*
- 4) The purpose of a Request for Demand on a note secured by a trust deed is to:
- a) Notify the current lien holder of intent to pay off the loan
 - b) Find out the total amount due on the loan
 - c) Ask for a reconveyance
 - d) **all of the above.** *A proper request for demand will ask all of the above information from a lender – whether they are an institutional lender or an individual lender. While it is not necessary to receive a full reconveyance (or the necessary document to obtain one) from an institutional lender, it is imperative that you do so when working with an individual beneficiary.*
- 5) A joint tenancy may consist of all of these except:
- a) a husband and wife
 - b) a single man and a married man
 - c) **a married man and a corporation.** *For purposes of vesting, a corporation is considered an artificial person and may not hold title together with a natural person in a joint tenancy.*
 - d) a single woman and an unmarried man

6) A receipt for funds should always indicate:

- a) **name of the person who deposited the funds.** *This is an absolute must for every receipt!*
- b) the sellers' name
- c) the legal description of the property
- d) the subject property address of the transaction

7) Escrow instructions may consist of everything except:

- a) the mutual promises of buyer and seller
- b) conditions of buyers purchase and sellers agreement to deposit items necessary to deliver title to the property
- c) general instructions of the escrow holder
- d) buyer's driver's license number.** *This information is considered Non-Public Personal Information. It would never be placed on escrow instructions as it would then become available to the seller, which is not advisable.*

8) The parties to a grant deed are the:

- a) **grantor and grantee.** *Your Vested Seller and the Buyer.*
- b) mortgagor and mortgagee
- c) lessor and lessee
- d) trustor and beneficiary

9) Which of the following is not a party to a deed of trust

- a) trustor
- b) trustee
- c) **maker.** *The "maker" is the person who signs a Note.*
- d) beneficiary

10) An amendment is normally used to:

- a) Eliminate the CAR contract
- b) Identify the sellers' TIN
- c) **Modify the terms of the original escrow instructions.** *Instructions must be in writing, we use an amendment to set forth changes and/or additions to the original escrow instructions.*
- d) Complete 1099 processing

11) The recordation of a Notice of Action with a suit pending being the subject of litigation is called:

- a) Estoppel Affidavit
- b) **Lis Pendens.** *This is a Notice that a court action is pending but has not yet gone to court/trial.*
- c) Adverse Possession
- d) Abstract of Judgment

- 12) A Notary Public is commissioned by the State of California and may operate:
- a) Only in the county for which appointed
 - b) Anywhere in the State of California.**
 - c) Within a 50-mile radius of her business address
 - d) Only at the address of her place of business
- 13) The terms "ingress" and "egress" are usually used in connection with:
- a) Title
 - b) Liens
 - c) Easements.** *Ingress and egress describe the ability to enter or leave a tract of land.*
 - d) Urban Renewal
- 14) A document which allows a newly recorded lien to be made superior to an existing recorded lien is called:
- a) Hypothecation
 - b) Offset Statement
 - c) Substitution of Trustee
 - d) Subordination Agreement.** *Priority of recorded items is determined by recording date – First recorded is senior to subsequently recorded document. A subordination agreement takes an existing recorded document and makes it junior or subordinate to a newer recorded or concurrently recorded document.*
- 15) A Deed of Trust is cleared from the public records by:
- a) Final payment per the terms of the Note
 - b) Recordation of a Notice of Default
 - c) Recordation of a Reconveyance.** *The Full reconveyance fully removes a Deed of Trust from a lien upon the property. (A partial reconveyance removes the lien from a portion of the property described in the partial reconveyance.)*
 - d) Recordation of a Release of Lien
- 16) A Preliminary Change of Ownership Report is required by the Recorder whenever recording a:
- a) Grant Deed
 - b) Deed of Trust
 - c) Affidavit of Death
 - d) Both A and C.** *The PCOR is given to the County Assessor for new real estate tax assessment consideration.*
- 17) Only a couple married to each other or registered as domestic partners may take title as:
- a) Joint Tenants
 - b) Community property.** *California is a community property state. Only married or domestic partners may hold title as community property which gives each an equal ownership interest in the property.*
 - c) Tenants in Common
 - d) None of the Above

18) The person who conveys title by Deed is called the:

- a) **Grantor.** *The seller in your sale transaction.*
- b) Grantee
- c) Lessor and Lessee
- d) Lessee

19) The person who receives the original Grant Deed in a sale after recordation is:

- a) Lender
- b) **Buyer.** *Although it is public record after recording, the original goes to the buyer for proof of ownership at the time of recording. It is more a symbol of ownership in today's society.*
- c) Listing Agent
- d) Seller

20) The Selling Agent gives instructions to credit a portion of her commission to the buyer. Who must approve this credit?

- a) Buyer
- b) Seller
- c) Lender
- d) **All of the above.** *All parties must approve a credit given to the buyer. Lenders may require the buyer to come up with their own down payment funds. The buyer may be holding onto a final deposit to intentionally stall the closing date. The seller signed a contract indicating the buyer would put so much down on the purchase.*

21) The power of Eminent Domain may be exercised by:

- a) Cities
- b) Counties
- c) The State
- d) **Any of the above.** *Eminent Domain is the power of a local or federal government to take private property for public use upon payment of just compensation.*

22) A Bona Fide purchaser of real property is one who buys the property:

- a) In good faith
- b) For a fair value
- c) Without notice of adverse claims
- d) **All of the above.** *A Bona Fide purchaser is: An innocent party who purchases property for fair value and without notice of any other party's claim to the title of that property.*

23) The authority of an attorney-in-fact under an ordinary power of attorney is terminated by:

- a) The death of the principal
- b) Expiration of a specified date
- c) An express revocation by the principal
- d) **Any of the above**

24) When a deed is delivered into escrow:

- a) Title immediately passes to the buyer
- b) **Title remains with the seller until all conditions have been performed.** *Escrow Instructions set out the conditions for the recording of the Deed and those conditions must be met before recordation.*
- c) It must be recorded the same day
- d) The buyer must immediately deposit the balance of the purchase price

25) Payment of a broker's commission to an unlicensed person through escrow is:

- a) **Contrary to the law.** *It is a felony to sell or lease real estate for commission without a license.*
- b) Permissible if the seller approved
- c) Permissible if in compliance with buyer's instructions
- d) Permissible if authorized in writing by the Broker

26) Which of the following is not a legal way to take title to real property in California?

- a) Joint tenancy
- b) Community property
- c) **Tenancy by the entirety.** *This is not available in California.*
- d) Tenancy in Common

27) Which of the following is obligated to pay real property taxes on a condominium unit?

- a) Project Owner
- b) **Unit Owner.** *Vested owners pay the real estate taxes on their unit ownership interest.*
- c) Board of Directors of HOA
- d) Auditor for the condominium HOA

28) The party who borrows money under a Note and Deed of Trust is the:

- a) **Trustor.** *Also known as the borrower.*
- b) Trustee
- c) Beneficiary
- d) Mortgagee

29) An acceleration clause in a note and deed of trust is one that provides for:

- a) Increasing interest rate
- b) Decreasing interest rate
- c) Extension of due date
- d) **Entire debt to become due and payable upon a specified happening.** *The most common is a "due on sale" clause requiring the debt to be paid in full upon transfer of ownership of the property.*

30) Real Property may be described by:

- a) Metes and bounds
- b) Tract reference
- c) Government survey
- d) **Any of the above.** *Legal description may be made up of any of these.*

31) On a \$4,000.00 purchase money note and deed of trust, payable at \$70.00 per month, including interest at 7.2%, what would the balance be after the first 3 months?

- a) \$3,186.18
- b) \$3,466.83
- c) **\$3,861.17.** *Calculate the payments out monthly for 3 months.*
- d) \$3,790.00

32) The general provisions of most escrow companies provide for prorations and adjustments to be based on a _____ day year.

- a) 350
- b) 355
- c) **360**
- d) 365

33) The written instrument transferring title to personal property is a:

- a) Security Agreement
- b) **Bill of Sale**
- c) Warehouse receipt
- d) Bill of Lading

34) On a payoff demand, interest is paid to 4/25. Escrow is closing 5/8. The demand states to include interest through the date of close of escrow. Principal balance is \$57,760.00 and interest is at 6%. How much additional interest will you collect?

- a) \$154.08
- b) **\$134.82.** *\$57,760 multiplied by .06 then divided by 365 x 14 days (5 for April and 8 for May)*
- c) \$125.19
- d) \$144.45

35) Funding/Recording date is 3/26. First payment is due 5/1. How much will be collected in prepaid interest on the new loan of \$278,500 at 5.5% interest?

- a) \$1,506.31
- b) \$209.85
- c) **\$251.82.** *\$278500 multiplied by .055 then divide by 360 to obtain the per diem, times 5 days (30 days in March).*
- d) \$1,528.28

- 36) For proration purposes, the per diem on a yearly tax bill of \$4,800.00 paid in two equal installments would be:
- a) **\$13.33** *\$4800 divided by 360 is \$13.33 per day.*
 - b) \$26.67
 - c) \$13.15
 - d) \$12.00
- 37) If a note in the amount of \$22,500.00 specifies monthly payments over a period of 30 years at 6.6% per annum, what is the first month's interest portion?
- a) \$111.25
 - b) **\$123.75** *\$22,500 times .066 then divide answer by 12 = \$123.75*
 - c) \$130.71
 - d) \$140.50
- 38) The monthly interest on a note of \$17,800.00 at 9.25% per annum is:
- a) \$143.98
 - b) \$173.12
 - c) **\$137.21** *\$17,800 times .0925 then divide answer by 12 is \$137.21*
 - d) \$123.37
- 39) Real Estate taxes are \$2,348.44 per year. Taxes are paid to 7/1. Close of escrow is 3/26. What is the proration in a sale escrow?
- a) **Credit Seller, Debit Buyer \$619.70.** *\$2,348.44 divided by 360, then multiply the per diem by 95 days from coe to 7/1 (5 days for March, 90 days for April, May and June) Or use the proration math problem to get the number of days.*
 - b) Debit Seller, Credit Buyer \$619.70
 - c) Credit Seller, debit Buyer \$1,206.80
 - d) Debit Seller, credit Buyer \$1,206.80
- 40) Statewide, County transfer tax with new financing is based on:
- a) \$1.10 per \$500 of sale price
 - b) \$1.10 per \$1000 of sale price
 - c) **\$.55 per \$500 of sale price.**
 - d) \$.55 per \$1000 of sale price