

1. The potential risks in a real estate investment include:

- (A) Liquidity risk, capital markets risk, legislative risk
- (B) Business risk, financial risk, management risk
- (C) Interest rate risk, environment risk, market risk
- (D) All of the above

2. What legal document conveys title from one person to another person

- (A) Mortgage
- (B) Deed
- (C) Note
- (D) Easement

3. If two investments are compared over time and there appears to be no relationship whatsoever between them, what is the likely value of their coefficient of correlation

- (A) +1
- (B) -1
- (C) 0
- (D) Infinite

4. The net operating income from a property can be increased by

- (A) Increasing expenses
- (B) Reducing occupancy
- (C) Increasing rental income
- (D) Reducing tenant demand

5. Which of the following solution is least likely to be acceptable to a mortgagee when discussing alternatives to foreclosing on a property?

- (A) Permanently reducing the interest rate on the loan
- (B) Finding another creditworthy person to assume the mortgage
- (C) Providing a temporary grace period during which principal and interest are deferred
- (D) Extending the amortization period

6. If one of the terms of an ARM is "interest is capped at 2%/6%, what does that mean?

- (A) The borrower can choose the rate cap she wants by circling the appropriate choice
- (B) The interest rate has a 2% lifetime cap and a 6% annual cap on rate increases
- (C) The interest rate has a 2% annual cap and a 6% lifetime cap on rate increase
- (D) The interest has a 2% annual cap and a 6% floor on rate increase

7. A borrower takes out a \$400,000 30-year fully amortizing 1-year LIBOR based ARM loan with a 2.5% margin and monthly payments. The loan has a "teaser" rate of 1% for the first year, after which the rate resets annually with 2% annual and 5% lifetime interest rate increase caps. On the first reset date, 1-year LIBOR is 1.5%. What would be the monthly payment in the second loan year?

A. 1888 B.1722 **C.1673** D.1287

8. Three parties included in deed of trust. Which is not included?

A. trustee **b. Escrow** c. lender d. borrower

9. A deposit placed in an account earning 9% interest annually will approximately double in value in how many years?

A.6 **b.8** c.10 d.12

10. When would seller financing of real estate not be used?

A. the seller wants to use the installment method of reporting the gain from sale  
b. the buyer does not qualify for a conventional mortgage loan  
**c. third-party mortgage financing is less expensive and easily available**  
d. the seller desires to artificially raise the price of the property by offering a lower than market interest rate on the seller financing

11. The future value of a single deposit of 10,000 will be greatest if the interest rate is compounded

a. annually b. quarterly c. monthly **d. daily**

12. A loan in which the borrower arranges for a maximum loan amount that will be advanced in stages, like a construction loan, is said to be

A. assumable b. non-recourse **c. open-ended** d. subordinated

13. A property investor wants to acquire a 30,000 square foot office building for 250 per square foot. A lender will fund a purchase money mortgage with a maximum LTV of 70%. What is the minimum amount of equity needed to close the acquisition?

a. 7,500,000 b. 5,250,000 **c. 2,250,000** d. 1,800,000

**total price = 30,000 \* 250 = 7,500,000; LTV = 0.7, so mortgage = (0.7) \* (7,500,000) = 5,250,000  
so equity = 7,500,000 - 5,250,000 = 2,250,000**

14. A person who owns property and conveys title to another is a

a. mortgagor **b. grantor** c. mortgagee d. grantee

15. The due diligence process

a. Uncovers all of the potential risks of an investment  
b. Underwrites a project's future cash flows with a high degree of certainty  
c. is necessary only within an investment that poses a high degree of risk  
**d. is an imperfect process to determine whether the potential returns from an investment are sufficient given the potential risk**

16. A residential borrower takes out a 30-year fully amortizing fixed rate mortgage loan for 250,000 with an annual interest rate of 5%. What is the monthly payment of principle and interest

a. 1,042 b. 1,250 **c. 1,342** d. 1,555

**period(360), pv(250,000), rate(5%/12), pmt(?) = \$-1342.05**

17. In the prior question, what portion of the first month's payment would be

interest?

a.300 **b.1,042** c. 1,342 d.1,555

$$0.05/12 * 250,000 = 1042$$

18. one of the most popular amortizing mortgages is the constant payment mortgage(CPM). Which of the following characterizes the components of the CPM payment over the life of the loan?

	Amortization	payment	interest
a.	increasing	decreasing	constant
b.	c	l	d
c.	l	c	d
d.	d	c	i

19. a borrower is purchasing a property for 1,800,000 and can choose between two possible loan alternatives. The first is a 70% loan for 25 yrs at 6% interest and the second is a 75% loan for 25 yrs at 6.6% interest. Assuming the loan will be held to maturity, what is the incremental borrowing cost on the extra money?

A 6% b 10.5% **c 14%** d 18%

$$\text{Incremental proceeds} = (0.75 - 0.70) * 1800,000 = 90,000$$

$$\text{Pmt1} = 8118.2 ; [\text{pv} = 0.7 * 1800,000 = 1260,000, \text{nper} = 300, \text{rate} = .06/12]$$

$$\text{Pmt2} = 9199.83$$

$$\text{So incremental cost} = (1081.64)$$

$$\text{So rate } (300, -1081.64, 90000) = 1.16\%; \text{ so } 1.16\% * 12 = 13.97\%$$

20 after owning and managing a shopping center for many years, the property substantially increases in value and the owner wants to realize some or all of the increased equity while paying little or no current taxes. The owner might

A refinancing the property with a larger loan at a lower interest rate if available

**B trade the property for a larger property in section 1031 exchange**

C sell the property under an installment sale

D any of the above

21 a borrower obtain a 750,000 reverse annuity mortgage with monthly payments to be acquired over 10 years. If the annual interest rate on the mortgage loan is 7%, what monthly payment will be received by the borrower?

**A 4,333** b 5,000 c 6,250 d 8,700

22 a borrower gets a 30-year fully amortizing fixed rate mortgage loan for 200,000 with an annual interest rate of 6% payable monthly and no prepayment penalty. If she wants to pay off the loan after 10 years, what would be the payoff amount?

A 107,371 b 142,088 **c 108,007** d 84,888

23 sale-leasebacks allow owner-users to realize the appreciation of the equity in their properties while retaining the use of those properties. A disadvantage of sale-leasebacks is that the seller

A must pay taxes on the gain on sale

B must pay rent for the duration of the leaseback

C loses any future appreciation in the value of the property

**D all of the above**

24 a borrower takes out a 7-year interest-only mortgage loan for 500,000 with monthly payments. The first two years of the loan have a “teaser” rate of 2%, after that, the rate can reset annually with 2% annual and 6% lifetime caps. On the first reset date, the fully indexed rate is 5%. What would be the monthly payment in the third loan year?

A because of the increase rate cap, the monthly payment would not change

B 1,667      **C 2,083**      D 2,500

25 local zoning and building codes regulate all of the following property development issues except

A maximum FAR and allowable uses

B maximum lot sizes and height restriction

C traffic mitigation and parking ratios

**D maximum LTV and minimum DSCR**

26 if a particular desirable site is a 100' by 80' rectangular shape, and if the local zoning codes require that the building's footprint be setback ten feet from each side of the property line, and if the FAR for that site is 4.0 per square foot of the building's footprint. What is the maximum building square footage that can be built?

A 72,000    B 51,200    C 18,000    D 15,300 - **19,200**

27. The market value of a loan is:

(A) The loan balance multiplied by the stated interest rate

(B) The loan balance multiplied by the current market interest rate

(C) The future value of the remaining loan payment

**(D) The present value of the expected future loan payments**

28. A senior mortgage holder brings a foreclosure suit which includes all junior lenders in the suit. If the senior mortgage holder purchases the property for its mortgage balance at the foreclosure sale, what happens to the claims of the junior mortgage holders?

(A) The liens of the junior claimants and the amounts due to them are unaffected

**(B) The liens of the junior claimants are extinguished, but the amounts owed to them are unaffected**

(C) The liens of the junior claimants and the amounts owed to them are extinguished

(D) The liens of the junior claimants are unaffected, but the amounts owed to them are extinguished.

29. Which of the following is false concerning mechanic's liens?

(A) Gives contractors and materials suppliers the right to attach a lien on real estate

(B) Can lead to a judicial sale of the property if the mechanic's bills are unpaid

**(C) Valid even after the bill for labor and materials has been fully paid**

(D) Might not be disclosed by the public records.

30 a 5,400,000 30-year fully amortizing fixed rate mortgage loan at 4.5% annual interest with monthly payments has been seasoned for 12 years. What is the balloon payment due on the contract maturity date?

A 27,361    b 1,467,627    c 5,400,000    **d 0**

31 a borrower takes out a 15-year fully amortizing fixed rate mortgage loan for 1 million with an annual interest rate of 6% and is charged 4 points by the lender. What is the approximate effective annual interest rate on the loan if the loan is payable monthly and is carried to maturity?

A 5.37%    b 6%    c 6.39%    **d 6.64%**

32 you have a choice of two 20-year fully amortizing mortgage loans with monthly payments. 1) with a 10% down payment, you can obtain a 6% annual interest rate or 2) with a 20% down payment, 5% annual interest rate. What is the effective annual interest rate on the addition 10% borrower if you take the first loan?

A 5%    b 6%    **c 13%**    d 18%

33 expenses for a 1,000 square foot office space are \$6 per square foot. The lease specifies an expense stop of \$5.4. what is the total expense paid by the landlord?

A 6,000    **b 5,400**    c 600    d 0

34 property in a certain market is expected to appreciate at a rate of 5% per year. If an investor borrows at an LTV of 75% and the property's NOI exactly covers the mortgage payments, what would be the expected annual appreciation rate on invested equity?

A 5%    b 10%    **c 20%**    d 25%

35 a property was purchased for 2,000,000 at a cap rate of 4% with an 80% LTV interest-only loan at a 5% annual interest rate. If after five years the property appreciated by 30%, what would be the amount of the owner's equity at that time?

A 120,000    b 400,000    c 600,000    **d 1,000,000**

36. A conforming loan:

- (A) Exceeds the loan limits for loans that Fannie Mae and Freddie Mac can buy
- (B) Meets the underwriting criteria that Fannie Mae and Freddie Mac can buy**
- (C) Cannot be purchased by Fannie Mae or Freddie Mac
- (D) Is another term for a fixed rate residential mortgage loan

37. A jumbo loan:

- (A) Is another term for a conforming adjustable rate mortgage loan
- (B) Exceeds the loan limits for conforming loans set by Fannie Mae and Freddie Mac**
- (C) Typically has a lower interest rate than a conforming loan
- (D) Has a lower DSCR requirement than a conforming loan

38. A mortgage is a legal document that:

- (A) Evidences an obligation to repay a loan under specific terms
- (B) Name real estate as the collateral that secures the repayment of a loan**
- (C) Describes a possessory interest in real estate
- (D) Conveys ownership of a property to a lender

39. Which of the following describes the function of an expense stop in a lease?

- (A) Expenses are stopped from increasing
- (B) Expenses above the stop are paid for by the owner
- (C) Expense above the stop are paid for by the tenant**
- (D) Expenses below the stop are paid for by the tenant

40. Which of the following would not

41. A 15,000 square foot office building is fully leased at \$12 per square foot per year. The building's expense is \$6.5 per square foot per year and an expense stop is \$5 per square foot per year. What is the annual net operating income?

- A 180,000   **B 105,000**   C 82,500   D 75,000

42. Lenders prefer a higher DSCR because:

- (A) More NOI is available to cover debt service payments
- (B) Less debt service is needed to pay off the mortgage
- (C) More debt service is required to be paid by the borrower
- (D) Less NOI is required to cover debt service payments.**

43. Which of the following is true for a triple net lease?

- (A) All expenses are paid by the owner
- (B) All expenses are paid by the tenant**
- (C) All expenses are paid by the lender
- (D) All expenses are paid by the investor

44. Which of the following is false regarding cap rates?

- (A) Falling supply tends to lower cap rates
- (B) Rising interest rates tend to lower cap rates**
- (C) Rising demand tends to lower cap rates
- (D) Falling interest rates tend to lower cap rates

(45) Which of the following is true regarding cap rates?

- D Falling interest rate tends to lower cap rates**

45. Which of the following factors is not part of the definition of market value?

- (A) Buyer and seller are typically motivated
- (B) The property has been for sale on the open market for at least a year**
- (C) Price is not affected by undue pressure to buy or sell
- (D) Price is not affected by special or creative financing

46. Which of the following statements regarding equity in a property is true?

- (A) The amount of equity an investor has in a property may change over time if the property value changes
- (B) The amount of equity an investor has in a property depends on the value of the equity the investor has in his or her other investments
- (C) The outstanding loan balance does not affect the amount of equity an investor has in the property
- (D) The amount of equity an investor has in a property does not change over time as the loan balance is amortized

47. A property is sold for \$600,000 with a 75% purchase money mortgage at a 7% annual interest rate fully amortized over 30 years. If the property's net operating income is \$36,000, what is the acquisition cap rate?

- (A) 24.0%
- (B) 12.0%
- (C) 6.0%
- (D) 0.0%

48. A commercial property appraisal usually contains three valuation methodologies. Which of the following is not one of them?

- (A) Comparable Sales
- (B) Ratio of Values
- (C) Replacement Cost
- (D) Capitalization of Income

49. The appraised value of a property represents the:

- (A) Actual purchase price of the property
- (B) Actual selling price of the property
- (C) Actual opinion of the appraiser
- (D) Actual replacement cost of the property

50. Which of the following would be used in the cost approach to value?

- (A) Estimate net operating income of the property
- (B) Subtract accrued depreciation from the assessed property value
- (C) Add the depreciated replacement cost to the current land value
- (D) Determine the market value of comparable properties

51. Which of the following is true concerning the acquisition capitalization rate?

- (A) It is an IRR
- (B) It explicitly considers projected future income
- (C) It expresses the relationship between income and value at a specific point in time
- (D) It is the rate of return that investors expect to earn on all capital invested

52. Which of the following is not one of the primary benefits of investing income property?

- (A) Cash flow
- (B) Property appreciation

(C) Tax Depreciation

(D) Property taxes

53. A property that is purchased for \$15million produces an annual NOI of \$1.2 million. Financing is obtained at a 60%LTV ratio at a 5.75% annual interest rate payable monthly and fully amortized over 30 years. What is the cash return on invested equity?

(A) 5.2%

(B) 6.3%

(C) 8.0%

(D) 9.5%

54. A loan in which the lender receives a percentage of the net operating income from a property is known as a(n):

(A) Participating loan

(B) Accrual loan

(C) Convertible loan

(D) Interest-only loan

55. A property produces a first year NOI of \$100,000 that is expected to grow by 3% annually. If the property is sold at the end of year 10, what is the expected sale price based on a terminal capitalization rate of 6.5% applied to the eleventh year NOI?

(A) \$1,538,462

(B) \$2,007,343

(C) \$2,067,564

(D) \$2,129,591

56. A property is sold for \$7,200,000 with total selling costs at 3% of the sales price. The mortgage balance at the time of sale is \$3,600,000. The property was purchased five year ago for \$5,400,000. Annual depreciation deductions of \$150,000 have been taken each year. If the combined federal and state tax rates on capital gains is 28%, what is the after-tax cash flow from the sale of the property?

(A) \$2,730,480

(B) \$2,898,480

(C) \$2,940,480

(D) \$3,096,000

57. A property's adjusted tax basis can be describe as:

(A) Original Cost + capital improvements – accumulated depreciation

(B) Original cost – mortgage balance – sales costs

(C) Sales price + capital improvements – accumulated depreciation

(D) Sales price – mortgage balance – sales costs

58. A property produces an after tax internal rate of return of 12.2%. if the investor has a marginal tax rate of 31%, what is the before-tax equivalent yield?

(A) 3.8%

(B) 8.4%



(C) 17.7%

(D) 39.4%

59. Which of the following is false regarding the debt service coverage ratio?

(A) It indicates whether the NOI is sufficient to cover the mortgage payments

(B) It is not of concern to lenders when the loan to value ratio is low

(C) It is an indication of risk for the lender

(D) It is derived from NOI/Mortgage Payment

60. The net sale proceeds minus the adjusted tax basis determines which of the following?

(A) After-tax net present value of the property

(B) Depreciation deductions for the property

(C) Before-tax net present value of the property

(D) Capital gain or loss

61. The return calculated assuming a property is held for an additional year is the:

(A) After-tax cash flow from sale

(B) Marginal rate of return

(C) Reinvestment rate

(D) Before-tax cash flow from operations

62. A lender requires a 1.2 debt service coverage ratio as a minimum. If the net Operating income of a property is \$60,000, what is the maximum amount of debt service the lender would allow?

(A) \$30,000

(B) \$50,000

(C) \$60,000

(D) \$72,000

63. A property that produces an annual NOI of \$100,000 was purchased for \$1,200,000. Debt service for the first year was \$95,000 of which \$82,000 was interest and the remainder was principal. Annual depreciation is \$30,000. What is the taxable income?

(A) \$5,000

(B) \$18,000

(C) -\$12,000

(D) -\$25,000

64. Which of the following is false regarding interest-only loans?

(A) They have balloon payments

(B) They have greater amortization than conventional loans

(C) They may result in more cash flow to the borrower

(D) They may allow for a higher debt service coverage ratio

65. Which of the following is not a component of lease rollover risk?

(A) Commissions paid to leasing agents to find new tenants

- (B) Costs of tenant improvements required by the new tenants
- (C) Increasing rent levels in the local market
- (D) Reduced revenues from vacancy until new tenants are found

66. A "C" corporation is generally not a good vehicle to use for property investing because:

- (A) Corporation generally limit liability to the amount of a shareholder's investment
- (B) A "C" corporation is not a "pass through" entity for tax purposes
- (C) Publicly traded corporations can access substantial capital on the stock markets.
- (D) A "C" corporation can have an unlimited number of investors

67. Which of the following is not a typical benefit of renovating a property?

- (A) Increased rents
- (B) Increased occupancy
- (C) Increased operating expenses
- (D) Increased property value

68. An investor purchased a building in 1985 when the building could be depreciated over 19 years. A few years later, a new investor was interested in purchasing the building when the depreciable life according to revised tax laws was 39 year. Assuming both investors were in the same income tax bracket and that everything else was equal. What can be said about the taxable income that would be received by the new investor as compared to the taxable income that would have been received by the prior investor?

- (A) The new investor would have a higher taxable income because her depreciation expense would be lower
- (B) The new investor would have a higher taxable income because her depreciation expense would be higher
- (C) The new investor would have a lower taxable income because her depreciation expense would be lower
- (D) Both investors would have to use a 39 year depreciable life given the changes in the tax laws so their taxable income would be the same.

69. A small office building is purchased with a \$1,200,000 balloon mortgage that is due at the end of ten years. Payments are based on a 25 year amortization period. If one point is charged, how much of that point can be deducted annually for tax purposes?

- (A) \$12,000
- (B) \$1,200
- (C) \$480
- (D) \$0

$$(1200,000 * 0.01) / 10 = 1200$$

70. Which of following is not a benefit of refinancing?

- (A) The investor can increase financial leverage

- (B) IT is an alternative to a sale of the property
- (C) Financial risk is increased
- (D) No taxes have to be paid on the additional loan proceeds

71. Which of following does not represent a potential benefit to a company from selling and leasing back a property?

- (A) Provides a source of capital
- (B) Increases the company's operating income by reducing depreciation deductions
- (C) Demonstrates the value of the company's real estate to the marketplace
- (D) Increases the company's taxable income by reducing depreciation deductions

72. When doing a hold versus sell analysis, all of the following are important factors to consider except:

- (A) Projected internal rate of return and equity multiple from holding the property
- (B) Risks related to holding the property in order to achieve the projected returns
- (C) Market conditions for leasing and ultimately selling the property
- (D) Book value of the property at the time of sale

73. A standby loan commitment is:

- (A) Another term for a construction loan
- (B) A way to increase NOI for projects by reducing debt service obligations
- (C) An agreement by a lender to be ready to provide permanent financing for a property once construction is completed if certain conditions have been met
- (D) A commitment that always requires the standby lender to fund the loan

74. Which of the following is false regarding an option contract?

- (A) An option contract allow the developer to perform a preliminary market study and feasibility analysis before having to acquire the property
- (B) If the developer decides to purchase the property, the price of the option may be applied toward the price of the property
- (C) If the developer decides not to purchase the property, the landowner will usually refund any money paid for the option
- (D) An option contract provides the developer with the assurance that a property will not be sold during the option period

75. All of the following are clauses that can be found in lease agreements, except:

- (A) Parties to the lease, base rent amount, rent increase provisions
- (B) Allowable uses, condition of the premises, repair and maintenance obligations
- (C) Assignment and subletting, alterations and improvements, renewal options
- (D) Loan to value ratio, debt service coverage ratio, and prepayment options.

76. All of following are reasons that construction lenders typically require real estate developers to borrow on a recourse basis when taking out a construction loan, except:

- (A) Development projects are much riskier than stabilized income-producing

properties

(B) Take-out lenders may not be required to fund upon construction completion if the project is not completely successfully

(C) If the development project is substantially delayed or over budget, the construction lender may need to pursue the developer to personally repay the construction loan

(D) Construction loans are readily available from many lenders

77. Which of the following is a "soft cost" of construction?

(A) The cost of architectural drawings

(B) The cost of pouring the foundation

(C) The cost of erecting the building

(D) The cost of finishing the interior space

78. The most common method of distributing funds provided by a construction loan is a:

(A) Single lump sum at the closing of the loan

(B) Single lump sum at the end of construction to reimburse the developer for the project's total costs

(C) Series of payments throughout construction to reimburse the developer for costs incurred since the previous payment

(D) Series of payments throughout construction to reimburse the developer for anticipated expenses in the upcoming period

79. In the context of a lease. A percentage rent clause generally provides that:

(A) The tenant will pay a proportionate amount of rent for his space in comparison to the total net rentable area

(B) The landlord will receive a percentage of the tenant's sales or income above some previously agreed break point

(C) The tenant will pay a rent amount that is a certain percentage of the local average

(D) The tenant will reimburse the landlord for operating expenses above a certain per square foot amount.

80. A partnership agreement provides that upon sale the net cash proceeds are to be distributed first to Mr. Smith in an amount equal to his original investment less any cash distribution previously received, then split 50-50 between Mr. Smith and Ms. Jones. If the net cash proceeds from sale are \$1 million, how much would Ms. Jones receive if Mr. Smith's initial investment was \$400,000 and he previously received \$25,000 in distributions?

(A) \$300,000

(B) \$312,500

(C) \$325,000

(D) \$500,000

81. Which of the following might impact the density of housing in a land development project?

- (A) The price paid for the land by the developer
- (B) The local zoning code regarding maximum density
- (C) The local market's preferences regarding density
- (D) All of the above

82. Land parcels in a new development are selling for \$20,000 each and the developer projects total revenue from land sales to be \$5 million. The project's lender requires that the \$3 million land loan be completely paid off by the time that 80% of the parcels have been sold. What would be the lender's release price for each parcel?

- (A) \$12,000
- (B) \$15,000
- (C) \$16,000
- (D) \$20,000

83. Which of the following statements is true regarding general partnerships?

- (A) They are preferred for groups of individuals who are seeking to form a business entity to invest in real estate because of the decision making ability of each partner
- (B) They protect each of the partners from potential losses associated with the partnership's business activities
- (C) They are not preferred for groups of individuals who are seeking to form a business entity to invest in real estate because of the unlimited liability of each partner
- (D) They have pass-through income similar to that of corporations

84. One of the primary advantages of a limited liability company over a limited partnership is:

- (A) An LLC does not need to have any general partners
- (B) An LP does not need to have any general partners
- (C) An LLC is a pass-through entity whereas an LP is not
- (D) An LP is a pass-through entity whereas an LLC is not

85. A \_\_\_\_\_ is not a legal form of organization, rather it is an agreement between at least two parties to pursue a specific business or investment objective

- (A) Corporation
- (B) Joint venture
- (C) Limited partnership
- (D) Limited Liability company

86. A real estate's syndication that raises capital before identifying any of the properties it will eventually own is known as a(n)

- (A) Safe harbor
- (B) Blind pool
- (C) Accredited investor
- (D) Caveat emptor

87. Falling interest rates are likely to affect residential mortgage backed securities(RMBS) more than commercial mortgage backed securities (CMBS) because:

- (A) Prepayment risk is not a significant risk affecting residential mortgages
- (B) Default risk not a significant risk affecting commercial mortgages
- (C) Residential mortgage borrowers can prepay and refinance more easily than commercial mortgage borrowers
- (D) Commercial mortgage borrowers can prepay and refinance more easily than residential mortgage borrowers.

88. Which of the following is not a CMO security type?

- (A) Double helix
- (B) AAA tranche
- (C) Floaters and inverse floaters
- (D) Interest only and principal only stripes

89. The primary risks affecting the value of mortgage backed securities are:

- (A) Default risk and prepayment risk
- (B) Subordination risk and acceleration risk
- (C) Retention risk and inflation risk
- (D) Inversion risk and deflation risk

90. Most real estate investment trusts are:

- (A) Equity REITs
- (B) Mortgage REITs
- (C) Hybrid REITs
- (D) Specialty REITs

91. The primary difference between equity REITs and mortgage REIT is:

- (A) Equity REITs must be unleveraged
- (B) Mortgage REITs must be private whereas equity REITs can be public
- (C) Equity REITs primarily own properties whereas mortgage REIT's primarily own an mortgage mortgages on properties
- (D) Equity REITs typically pay higher dividends per share than mortgage REITs

92. Why might including REIT's in a portfolio containing S&P 500 securities produce diversification benefits?

- (A) REIT returns are enhanced by the dividend payout requirement
- (B) REIT returns are not subject to federal income taxes if certain rules are met
- (C) REIT returns are highly correlated with returns from other stocks
- (D) REIT return are not highly correlated with returns from other stocks

93. Which of the following is not a major participant in the secondary mortgage market?

- (A) Fannie Mae
- (B) Ginnie Mae
- (C) Ellie Mae
- (D) Freddie Mac

94. Which of the following is not a requirement to qualify as a REIT?

- (A) At least 100 shareholders
- (B) Not more than 50% of the shares can be owned by five or fewer shareholders
- (C) At least 90% of taxable income must be distributed to shareholder as dividends
- (D) At least 75% of the assets must be unrelated to real property

95. A main difference between net operating income and funds from operations is:

- (A) Income taxes
- (B) Future growth rates
- (C) Depreciation
- (D) Number of shares outstanding

96. One would see the greatest amount of diversification from two investments that are:

- (A) Positively correlated
- (B) Negatively correlated
- (C) Not correlated
- (D) Perfectly correlated

97. A historical summary of the publicly recorded documents that affect the ownership of a property is known as a(n):

- (A) Life Estate
- (B) Trust Deed
- (C) Abstract of title
- (D) Mechanics Lien

98. Real estate is often considered an inflation hedge because real estate return are:

- (A) Positively correlated with inflation
- (B) Negatively correlated with inflation
- (C) Not correlated with inflation
- (D) Inversely correlated with inflation

99. Global property investing is attractive for all of the following reasons except:

- (A) Increased diversification is possible with low or negative regional correlations
- (B) Higher returns are potentially available in certain foreign markets
- (C) Currency, political and other risks in foreign markets must be carefully managed
- (D) Property investment opportunities outside the U.S have been growing rapidly

100. Location is

- (A) Always an important factor to consider in a potential property investment
- (B) Relevant only if the property is in an undeveloped area
- (C) Less important than it used to be given the popularity of Google maps
- (D) Why does location matter?

## HELP

24 a borrow takes out a 7-year interest-only mortgage loan for 500,000 with monthly payments. The first two years of the loan have a “teaser” rate of 2%, after that, the rate can reset annually with 2% annual and 6% lifetime caps. On the first reset date, the fully indexed rate is 5%. What would be the monthly payment in the third loan year?

- A because of the increase rate cap, the monthly payment would not change  
B 1,667      c 2,083      d 2,500

38. A mortgage is a legal document that:

- (A) Evidences an obligation to repay a loan under specific terms  
(B) Name real estate as the collateral that secures the repayment of a loan  
(C) Describes a possessory interest in real estate  
(D) Conveys ownership of a property to a lender

42. Lender's prefer a higher DSCR because:

- (A) More NOI is available to cover debt service payments  
(B) Less debts service is needed to pay off the mortgage  
(C) More debt service is required to be paid by the borrower  
(D) Less NOI is required to cover debt service payments.