

### Sample Exam C3 Res 3

1. What does the Statute of Frauds require when it comes to contracts related to real estate?
  - a. That the parties to the contract must be at least 21.
  - b. That the contract for that sale of real estate must comply with the vendors and purchasers Act.
  - c. The contract must be in writing and signed by all the party in order to be enforceable.
  - d. That the parties to a contract for the sale of real estate situated in Ontario must use an Ontario Real Estate Association form.
2. Jane is a buyer who has signed a buyer representation agreement with ABC Reality Inc. Jim is a salesperson who is employed by XYZ Real Estate Ltd. Are there any circumstances under which Jim can have Jane sign a second buyer representation agreement with his brokerage while the original agreement is still active?
  - a. Yes, provided that there is no commission obligation in Jim's agreement with Jane.
  - b. Yes, provided the geographic locations entered in the two agreements are different.
  - c. No, it would be considered interference with another registrant and therefore a violation of REBBA 2002.
  - d. No, in Ontario only one brokerage is permitted to represent the interests of a buyer at any one time.
3. What are the requirements of the Real Estates and Business Brokers Act 2002 with respect of providing copies of a listing agreement to the sellers of a property?
  - a. Seller must be given a copy of the listing agreement at the same time as an offer is being presented to them.
  - b. Each seller must be given a copy of the listing agreement upon signing it.
  - c. One copy of the listing agreement must be given to the sellers within 24 hours of it being signed.
  - d. A copy of the listing agreement must be given to the seller within 24 hours of a request to do so.
4. Jim Smith has signed a listing agreement with ABC Reality Inc. Mandy Blogs has signed a customer service agreement with the same brokerage. Mandy wants to make an offer on Jim's property. What does ABC Reality Inc needs to do in order to comply with REBBA with respect to this relationship?
  - a. Prior to showing the property and presenting an offer, ABC must obtain written permission from seller that it can provide customer service to the buyer.
  - b. Prior to presenting any offer, ABC needs to inform both seller and buyer of the relationship it has with each of them.
  - c. Prior to presenting any offer, ABC needs to obtain informed written consent of seller and buyer agreeing to the multiple representations.
  - d. Prior to showing the property and presenting an offer ABC must obtain written permission from the buyer that it can provide client service to the seller.
5. According to the Real Estate and Business Brokers Act 2002, at what point in time must a registrant advise sellers of the potential for multiple representations?
  - a. As soon as the seller has signed the listing agreement.
  - b. Prior to entering into a representation agreement with sellers to sell their property.
  - c. Prior to an offer on their property being presented to the sellers.
  - d. Prior to marketing and advertising the sellers property.
6. The proceeds of crime and terrorist financing act requires that a brokerage must maintain all record relating to identification, verification and receipt of funds for a period of:
  - a. 5 years
  - b. 10 years
  - c. 3 months
  - d. 7 years
7. ABC Realty Inc. is representing a buyer for the first time. What is the latest point in time that the brokerage must complete an individual ID for records?
  - a. When the subject of agency ID first explained to the buyer.
  - b. When an offer is being submitted by that buyer.
  - c. At the first meeting between the buyer and the sales representative.
  - d. At the time the buyers deposit is placed in the trust account.
8. A property sells using OREA Agreement of Purchasing and Sale with June 28<sup>th</sup> inserted as the Requisition Date. Which of the following would not be included in a buyer's lawyer's requisition letter to a seller's lawyer?
  - a. A request for a transfer of existing fire insurance from the seller to the buyer.
  - b. A request for a declaration that the seller has occupied the premises.
  - c. A request for existence that all buildings have been built in compliance with municipal by laws.

- d. A request for existence that the seller is not a non-resident.
9. Two weeks after the offer was accepted, the buyer and seller would like to change the completion date that was originally agreed for the property, 25 Johnson Street. The offer was made on form 100. How should this change be accepted?
- An amendment to agreement of purchase and sale form should be used.
  - The completion date in the original copies of agreement of perchance and sale should be changed.
  - A counter offers form should be used.
  - A new agreement of purchase and sale would be completed by the parties.
10. What current legislation covers some of the operational matters in a Care Home which provides facilities and assistance for mature adults?
- The Condominium Act
  - The Residential Tenancies Act
  - The Co-operative Corporation Act
  - The Tenant Protection Act
11. A landlord gives a month-to-month tenant a 60 day notice to vacate because the landlord wants the landlord's son to occupy the unit. The tenant owns a cottage property and would like to vacate as soon as possible. Which of the following statements best describes the tenant's situation?
- The tenant must also give 60 days' notice based on month-to-month tenancy.
  - The tenant can give as little as 10 days notice and pay rent for the 10 day period.
  - The tenant does not have to move if it the landlord's son, not the landlord, who will be assuming
  - The tenant cannot vacate the premises until the end of the 60 day period.
12. The owners of 237 Shutter Street have decided to sell a 2 acre portion of their 10 acre vacant lot to a builder. In order to comply with the Planning Act and complete the sale, the owner needs to obtain a:
- Subdivision approval for the lot
  - Consent to sever the lot
  - Zoning review
  - Building permit for the lot development
13. Agnes wants to buy a cottage with frontage on a small landlocked lake and then construct a dock or boat house on the shoreline. Who would Agnes need to contact to obtain the requisite permit?
- The local conservation authority
  - Ministry of the environment
  - Ministry of natural resources
  - Department of Canada Heritage
14. Which of the following is correct with respect to the generation, distribution and use of electricity?
- Electromagnetic fields increase in strength as they get farther away from their source.
  - Electromagnetic fields are created when an electric current is flowing.
  - Electromagnetic fields travels rapidly in air but not penetrate most materials.
  - Electric transmissions lines generate large amounts of raw energy.
15. When it comes to residential construction, asbestos is most frequently encountered in:
- Roofing materials and piper coverings
  - Foundation walls and floor joists
  - Plumbing fixtures and windows
  - Electrical systems and washroom fixtures
16. Which of the following is a correct statement with respect to a property designated as a heritage property?
- The property is subject to the same rights and restriction as any other property except for the installation of an historical plaque.
  - Insurance premises are typically lower than other homes of the same size.
  - Because of the value inherent in the historical nature of the property municipalities lend to levy higher realty taxes.
  - Alterations to a property required the written approval of the municipal council.
17. As a general rule, which of the following statements would be correct with respect to assigning a contract?
- Agreements of purchase and sale are not assignable.
  - An independent contractor agreement between brokerage and sale is assignable.
  - A mortgagee can assign a mortgage but a mortgagor cannot.
  - All residential lease are assignable and do not require that landlords consent.

18. This type of prospecting is effective for three reasons: potential buyers can view the listed property; the seller knows that a sincere effort is being made to sell the home; the salesperson has an opportunity to meet prospects. What type of prospecting is being described above?
- Cold calling
  - For sale by owners
  - Open house
  - Expired listing
19. Hannah is the owner of 236 Logan Street. She has signed a listing agreement with ABC, at a commission rate of 5% on March 3<sup>rd</sup> and expiry on May 3<sup>rd</sup>. There is a two month holdover clause. On May 4<sup>th</sup>, Hannah signs a new listing agreement with XYZ which expires on August 4<sup>th</sup> and commission rate of 6%. Amy is a buyer who had been shown the property on March 23<sup>rd</sup> but does not make an offer until May 10<sup>th</sup> which is accepted on May 11<sup>th</sup>. The transaction closes on Sept 19<sup>th</sup>. Based on the information presented, will Hannah own ABC commission and why?
- Yes, but the amount will be 1% as that is the difference between the commission rate on the listing with ABC and XYZ.
  - Yes, the full 5% will be owned because the property was seen by Amy during the term of the listing agreement with ABC and purchased during the holdover period of that listing.
  - No, the closing date for the sale of the property is after both listing and holdover period in the original listing.
  - No, even though Amy saw the property during the original listing and brought it during the holdover, it was sold under a new listing where the commission payable was higher than the original listing.
20. Jane has signed an OREA buyer customer service agreement with ABC, commencing May 1<sup>st</sup> and expiry on June 21<sup>st</sup>. On June 1<sup>st</sup>, she drops into an open house and meets with Jim, who works for XYZ. Jane tells Jim that she is not happy with ABC and would like to find another brokerage. Jim explains the advantages of buyer representations and Jane signs an OREA buyer customer service agreement with XYZ that day. Has Jim violated the REBBA by this action?
- No, Jane is a customer and the buyer customer service agreement is a non exclusive agreement.
  - Yes, Jim is not permitted to speak to any buyer who has signed a buyer customer service agreement.
  - No, provided either the property type or the geographic location is different in both agreements.
  - Yes, Jim did not obtain written consent from ABC to communicate directly with their customer.
21. Mabel is a listing salesperson with ABC. She has just received four offers on 22 Ajax Street. The first offer is registered at 2pm and was for \$395,000. The second offer was registered at 2.30 pm and was for \$398,000. The third was registered at 3 pm and was for \$392,000. The fourth comes at 4 pm with \$400,000. Mabel presents all the offers to the seller at 7pm that night. Based on the information, which of the following scenarios might result in serious legal problem and should never be recommended?
- The seller first reviews the offer that received at 4pm and after reviewing the other offers, accept it.
  - The seller looks at all offers in the order in which they were received and decides to counter all 4 offers at a higher price of \$415,000.
  - The seller reviews the 4 offers in no particular order, rejects all 4 and requests that each buyer come back with a better offer.
  - The seller reviews the 4 offers in order in which they were received and decided to counter one of the offers at a higher price of \$405,000.
22. There are 2 basic types of timeshare projects; one gives a fee ownership interest and the other gives a right-to-use interest. Which of the following statement correctly describe a right-to-use interest timeshare?
- A requires a registering the property as a condominium.
  - Each timeshare period is separately registered on title.
  - The timeshare owner obtains a contractual notice of lease that designates the specific period of time.
  - Timeshare owner obtain shares in the corporation that owns the property.
23. A property owner has complained to the municipality that a nearby farm is creating a nuisance. There is an awful smell and noise coming from the farm. The municipality looks into it and finds that the farm practice is violating its zoning by law with respect to noise and odour. Are there any circumstances under which the farm could be allowed to continue these nuisances even though it is a violation of zoning by law?
- Answer: Yes, farmers are protected.
24. Various techniques can significantly reduce energy consumption in a residential home. Which of the following would assist in the reduction of energy cost?
- Zone heating/cooling systems and improved ductwork distribution.
  - Decreased thermal resistance in all insulation.
  - Separation of furnace and hot water system.

IV. Shading and glazing of exterior windows.

- a. I and IV
- b. I and II
- c. II and III
- d. All of the above

**Case Study**

Sales person Ahmed of ABC is preparing an offer for his buyer client on a property listed with XYZ. The property at 99 Lester Street is a detached bungalow with a basement apartment. The buyer is intent to move into the main floor of the house and continue renting out the basement apartment. The buyer mentioned to Ahmed that he wants to ensure that he won't have to pay HST on top of purchase price.

25. Clause 3 on the OREA agreement of purchase and sale has space to insert a fax no. for delivery of notice to a seller and buyer. Under which of the following circumstances would it be appropriate for brokerage fax numbers to be entered in both of those spaces (which is correct)?

- a. When the listing brokerage represent the seller and cooperating brokerage represent the buyer.
- b. When the listing brokerage represents both seller and the buyer.
- c. When the listing brokerage represents the seller and cooperating brokerage is a sub agent of that listing brokerage.
- d. When a private seller has signed a seller customer service agreement with the same brokerage that has the buyer as the client.

26. How would you complete HST clause 7 in the agreement?

- a. The words 'included in' would result the seller having to pay HST if the property were subject to tax.
- b. This clause would have blank left until the seller certifies whether HST is payable on this transaction or not.
- c. The words 'In Addition to' would result in the buyer having to pay HST on chattels included.
- d. It depends on the seller and the buyer whether to insert 'Included in' or 'In Addition to'.

**Case Study**

Sales person Ahmed of ABC is preparing an offer for his buyer clients on a property listed with XYZ. The offer of \$460,000 is irrevocable until 6pm on April 2<sup>nd</sup>. The names of the buyer making the offer are Angel Chow and her spouse Peter Chow. The buyers are planning to use the property as their matrimonial home. Both names are entered on the OREA agreement as buyers and signed by both at 9am on April 1<sup>st</sup>. There is a \$375,000 mortgage on the property held by the bank but the buyers do not want to assume it. The seller is going to pay out the mortgage from the proceeds of the sale and there are sufficient funds to do so. However, the actual registration of the discharge of the mortgage will not take place until a few weeks after the transaction closes. The offer was presented to the seller at 1 pm on April 1<sup>st</sup>. At 3 pm the seller signed the offer back at \$475,000 but the irrevocable time period remained the same. The counter offer was presented to the buyers and they accepted the counter offer. The following day on April 2<sup>nd</sup> prior to the expiration of the irrevocable period the seller was given his copy of the accepted agreement.

27. With respect to the buyers, whose name or names must be registered on title at the closing of this transaction?

- a. It is up to the buyer to decide whose name should be on it.
- b. For the property to be a matrimonial home, both buyers must be registered on title on the closing of this transaction.
- c. Neither of the buyers can be registered on the title on closing of the property is being designated as a matrimonial home.
- d. Only one of the buyers name in the agreement can be registered in the title.

28. Is the seller's mortgage going to prevent the transaction from closing because it cannot be discharged on or before closing?

- a. Yes, this is a problem that can only be resolved by having the buyers agree to assume the adjusting mortgage and apply to the bank for approval.
- b. No, it will not be a concern since the seller mortgage is not an encumbrance on the property and as a result the buyers do not care if the mortgage is discharged or not.
- c. No, it is not a problem as one of the pre printed clauses in the offer allows for the discharge of the mortgage after closing based on the seller giving direction of payment and a lawyers undertaking to do so.
- d. Yes, this is a problem because clause 10 states in the first line that the property will be free and clear from charges and encumbrances on closing and the seller must ensure that the mortgage is discharged prior to closing.

29. Which of the following would be a realistic completion of the confirmation of acceptance clause on the agreement of purchase and sale given the information in this scenario?

- a. The seller signs confirmation of acceptance on the 2<sup>nd</sup> of April before 6pm.
- b. The seller signs the confirmation of acceptance at 3 pm on the 1<sup>st</sup> of April
- c. Both buyers must sign the confirmation of acceptance on 2<sup>nd</sup> of April before 6 pm
- d. One of the buyers signs the confirmation of acceptance on April 1<sup>st</sup> in the evening.

#### **Case Study**

In response to Martell's question about the difference between financing agreements between condo and co-operatives, salesperson Evans makes the following statement:

*'In equity co-operative, a mortgage is registered against the entire building and all owners have joined liability and relation to their proportionate share of ownership, whereas, condo units can be individually mortgaged. Condo owners are potentially liable for other owner should they not meet their mortgage payments. Co-operatives present a challenge for financing in circumstances where there is a gap between the proportionate share of the existing mortgage on a unit and the buyer's down payment. Secondary financing for the necessary amount may be hard to secure.'*

30. There is an error in explanation. Which of the following statements best describes this error?

- a. Individual unit owners in a condominium are not responsible for the mortgage payment of other unit owners.
- b. There is no liability on individual unit owners in a cooperative except for their proportionate share of the existing mortgage.
- c. Secondary financing for unit in a cooperative is relatively easy to arrange as the security for the mortgagor the building.
- d. The proportionate share of an existing mortgage on a cooperative unit can be increased to accommodate a buyer's down payment.

31. The subject of maintenance expenses is raised by one of the salesperson at the meeting and Martell asks if anyone can expand on the topic. Salesperson Martinez makes the following statement:

*'Condominium owners pay monthly maintenance expenses to maintain the common elements. Owners contribute to the maintenance expenses based on the proportion outlined in the Condominium Declaration. Since there are no common elements in co-operative, owners of a cooperative do not pay those fees. If a unit owner in a condominium defaults on their maintenance expenses can be reduced if the owner waives or abandons their right to use part of the common elements, for example the tennis courts or swimming pools.'*

The explanation given by sales person Martinez is not entirely correct. Which of the following statements best described this error?

- a. Each condominium unit owner pays an equal share towards the maintenance expenses, not a proportionate share.
- b. Non-payment of condominium maintenance fees, while a concern is not considered serious enough to place a lien against an owner's unit.
- c. There are common elements in a co-operative but, by its very nature, owners in a co-operative maintain their own property and there are no maintenance fees.
- d. Co-operatives are also subject to monthly maintenance fees and condominium owners cannot reduce their proportionate share of maintenance fee.

#### **Case Study**

It is the 5<sup>th</sup> of June and Sarah Chow, a sales person with ABC, has just shown a condo to her client Matt. The property is a two bedroom unit located in a building at 57 Bloor Street, listed with XYZ. Even though it has no recreation facilities, such as exercise room or swimming pool, Matt is impressed with the condo of the building and decides to make an offer. The offer is conditional on Matt's lawyer reviewing a condo status certificate with attachments and finding them to be satisfactory. The condition is written in precedent format and requires that Matt request the status certificate within two days of acceptance of the offer and it gives him until 5 pm on the 16<sup>th</sup> of June to satisfy the condition. The closing date is July 12<sup>th</sup>. The offer is signed by Matt at 6 pm on the 5<sup>th</sup> of June presented to the seller and accepted by the seller on June 6<sup>th</sup>. Matt requests the status certificate from the condo corporations' management company on June 7<sup>th</sup>.

Answer the following three questions based on the information above in the case study as well as the questions themselves.

32. Does any of the information provided in the case study with respect to the status certificate clause give any cause for concerns?

- a. The only concern would be that a buyer cannot request a status certificate. Only the owner of a unit is entitled to request this document from the condominium corporation's management company.
- b. Yes there would be some concern as the 15<sup>th</sup> of June is far too long a timeframe for a condition such as this. A more appropriate time frame would be to allow 5 days to obtain the certificate and for the lawyer to review.

- c. Yes there would be some concerns. There may not be sufficient time to allow for the status certificate to be provided to matt and for his lawyer to review.
- d. No there are no concerns. The time frame is adequate to satisfy the needs of both the buyer and seller and there is no problem with the buyer paying for and requesting status certificate.
33. Which of the following documents would be included with the status certificate to be given to matt's lawyer for his review prior to 5pm on the 16<sup>th</sup> of June?
- Copy of the most recent condominium budget.
  - The number of units released and the names of the tenants.
  - Copy of the declaration and by-laws.
  - Copies of any outstanding mortgage on the subject unit.
- The document set out in all four options
  - The documents in option III and IV only
  - The documents in options I, II and III only
  - The documents in option I and III only
34. The sale closes as scheduled on the 12<sup>th</sup> of July. On November 19<sup>th</sup> a special meeting is called by the condominium board of directors. At the meeting, the board of director proposes spending \$300,000 to build a recreation centre with the money coming from the reserve fund which has a current balance of over \$2,000,000. A vote is held and 70% of the unit holders voted in favour of the proposal. The board announces that they will be proceeding with the proposal. Are there any problems with the proposal vote?
- There is no problem with the vote to build a recreation centre, but the reserve fund itself cannot be used to pay for the construction of a brand new common element.
  - There is no problem here at all. A majority of the unit holders voted in favour of the proposal and money can be taken from the reserve fund to pay for any expenses including facilities such as a recreation centre.
  - Is money is to be taken from the reserve fund from the project proposed by the board then the condominium act requires that 100% of the unit holders must vote in favour of doing so.
  - There is no problem here at all. In fact, the condo board did not even need to request a vote for this proposal as the Condominium Act allows directors to use the reserve fund to build new common elements at their sole discretion.

#### Case Study

Salesperson Grewal of ABC is working with a buyer client Nathan Brand, who is interested in purchasing a home in Anycity. Grewal finds three properties that meet Nathan's criteria and arranges to show them to Nathan today. One of the properties 43 Abitibi Lane is being sold by Lender Inc. under power of sale.

35. While showing 43 Abitibi Lane, Grewal informs Nathan that the property is being sold under power of sale. Nathan is not familiar with this kind of sale and asks Grewal to explain what it means. Select the correct explanation from the choices below:
- Power of sale is a court ordered action arising from default of mortgage in which the home owner is forced to list and sell the property.
  - Power of sale is an action taken by a home owner when in default of a mortgage in order to sell the property to satisfy a debt.
  - Power of sale is a legal right of a mortgagee to force the sale of a property in the event of default without having to go to court.
  - Power of sale is an action in which the title of the property passes to the mortgagee when the mortgage is in default and is subsequently sold by the mortgagee.

36. Nathan finds this type of sale interesting and would like more information about a power of sale. Grewal responds with the following statement:

*'If a mortgage is in default for 15 days, the mortgagee can send a Notice of Sale Under Mortgage. The mortgagor is given 35 days to bring the mortgage into good standing. In a power of sale, at least one appraisal is typically undertaken to establish the value of the property. A property is often down priced just below market value in an effort to get a fast sale, hopefully within a day or two, to enable the mortgagee to be repaid as soon as possible.'*

The explanation given by Grewal is not entirely correct. Which of the following statements best describes this discrepancy?

- The Mortgage Brokers, Lenders and Administrators Act requires that a mortgagee have three professional appraisals of property prior to commencing any action.
- A mortgagee is required to request the court for a Notice of Sale Under Mortgage application in order to proceed with power of sale.

- c. A mortgagee should allow a reasonable time period for marketing purposes before accepting an offer on a property and it should not be priced below market value.
  - d. A mortgagor has 60 days to bring the mortgage into good standings, not 35, and the form is called Notice of Default Mortgage.
37. Nathan decides to make an offer on 43 Abitibi Lane. In order to protect Nathan's interest, what important information should Grewal make Nathan aware of prior to entering into an Agreement of Purchase and Sale.
- a. A buyer's name will be registered on the title upon acceptance of his offer and the buyer will then have the right to bring the existing mortgage into good standing prior to the closing date of the transaction.
  - b. In the event that the mortgagor brings the mortgage into good standing, the buyer's offer may be declared null and void. Also, he is buying the property 'as is' with no warranty from the mortgagee as to the condition of the property.
  - c. The buyer will be responsible for any money owing if the purchase price of the property is less than the amount owing on the mortgage in default.
  - d. Once the sale has been completed, if the financial situation of the mortgagor who went into default improves and the mortgagor can pay the mortgage amount, the sale may be nullified by the court.

#### Case Study

Jim is a salesperson with ABC. Mary and Bob are interested in purchasing a cottage and on May 10<sup>th</sup> 2009 they met with Jim and sign a buyer representation agreement with ABC. Mary and Bob live in Anytown and have never owned a cottage before. Over the course of a few weeks, Jim takes the buyer to a number of different cottages.

38. Jim has made an appointment to show the buyers a cottage on a fairly remote lake about a 2 hours drive from Anytown. During the drive they start asking questions about wells, zoning, utilities and municipal services to the property. Jim makes the following statements in response to their questions:

- 1. Some cottage owners may actually own the hydro lines and poles carrying electricity to their cottage and have to pay for their upkeep and repair.
  - 2. All homes, even cottages in remote areas of Ontario, are required by law to be provided fire protection by the local municipality.
  - 3. Bell Canada may not provide Telephone service to a cottage even though hydro service is already provided to that property.
  - 4. Municipalities use the low water mark in lakes to determine the setbacks of cottage properties fronting onto lakes.
  - 5. The most common type of wells being installed in cottage properties today are either drilled or bored.
- Evaluate each of the above statements made by Jim and select those statements that are correct.
- a. Options 2 and 4 are correct.
  - b. Options 2 and 5 are correct.
  - c. Options 1, 2, 3 and 4 are correct.
  - d. Options 1, 3 and 4 are correct.

39. Jim's second appointment is at 123 Beach Rd. which is located 90 minutes from Anytown. This property has a 75 year old cottage with a well and front onto a small lake. The septic system is only 2 years old and has a raised absorption bed. There is an old boathouse. The buyers tell Jim that if they bought the property they would knock down the old boathouse and replace it with a brand new 2 storey boathouse that would have accommodation for guest. They would also like to create a sandy beach using infill. In response, Jim makes the following statements:

- 1. *The boathouse sits on shore lands at the water's edge. Shore lands can be publicly or privately owned and they include land that is seasonally covered by water.*
- 2. *Shore lands are regulated by the ministry of the environment and certain types of work on shore land require obtaining a work permit.*
- 3. *You will not need a work permit to remove the old boathouse or to create the beach, but you will need a work permit from the ministry of the environment to construct the new boathouse.*
- 4. *A permit is required for any dredging or infilling on shore land.*
- 5. *Two storey boathouses with living accommodation are allowed in Ontario on public land but you may have to pay rent under a boathouse leasing program.*

Evaluate each of the above statements made by Jim and select those statements that are correct:

- a. Statements 2, 3 and 4 are correct.
- b. Statements 1 and 5 are correct.
- c. Statements 2, 3, and 4 are correct.
- d. Statements 1, 4, and 5 are correct.

40. The following weekend, Jim takes the buyers back to the property at 123 Beach Rd. as Mary is walking towards the old boathouse that sits at the water's edge; she asks Jim whether all the land between the cottage and water belongs to the cottage. Jim correctly tells her that there is an unopened shore road allowance between the cottage and the lake itself. Mary starts asking lots of questions about this shore road allowance. Jim makes the following statements in response.
1. *A shore road allowance, that is 66 feet in width, is adjacent to the lake shore.*
  2. *The boathouse would not be an encroachment on public land unless the road allowance became open.*
  3. *The public has no right to go across an unopened road allowance. So that is not a worry for you.*
  4. *You may be able to buy the unopened road allowance in which case it would become your private property.*
  5. *Obtaining approval to close a shore road allowance is a simple and inexpensive procedure.*
- a. Statements 1, 2, 4, and 5 are correct.
  - b. Statements 1 and 4 are correct.
  - c. Statements 2, 3, and 4 are correct.
  - d. All five Statements are correct.
41. Jim shows the buyer a number of other cottages and on June 2<sup>nd</sup> they decide that they would like to make an offer on 123 Beach Rd. Even though it is only 2 years old, the buyers mention that they have some concerns about the septic system with its raised absorption bed. They would like to be sure that the system had all the requisite approvals, was installed correctly and is in good working order. Jim responds with the following statements:
1. A new septic system has to be installed in accordance with the Ontario Building Code.
  2. Raised absorption beds are usually needed when there is rocky terrain, inadequate drainage and poor soil percolation.
  3. You should obtain a bacteriological analysis of the septic system prior to removing the home inspection clause. This is common practice.
  4. Raise absorption beds have been designed in such a way that they remove the need for minimum clearances from wells or dwellings.
  5. I will include the following home inspection clause and that will cover any concerns that you might have. *This offer is conditional upon inspection of the subject property by a home inspector at the buyers own expense and the obtaining of a report satisfactory to the buyers sole and absolute discretion. Unless the buyer gives notice in writing delivered to the seller not later than 6 pm on the 10<sup>th</sup> of June, 2009, that this condition is fulfilled, this offer shall be null and void and the deposit shall be returned to the buyer in full deduction. This condition is included for the benefit of the buyer and may be waived at the buyer's sole option by notice in writing to the seller within the time period stated herein.*
- Evaluate each of the above statements made by Jim and select those statements that are correct.
- a. Statements 4 and 5 are correct
  - b. Statements 1, 2 and 4 are correct
  - c. Statements 1, 3 and 4 are correct
  - d. Statements 1 and 2 are correct
42. Jim now prepares an offer for 123 Beach Rd. and it is for \$290,000. The deposit is \$8,000 and it is to be submitted upon acceptance of the offer. There will be a supplementary deposit of \$17,000 payable on the 18<sup>th</sup> of June. The deposits will come out of the buyer's down payment of \$94,000. The offer is conditional on being approved to assume an existing first mortgage on the property of \$146,000. To make the sale attractive to the buyers, the seller has agreed to take back the mortgage for the balance of the offer price for a period of three years at a rate of 5% with an amortization of 15 years.
- The agreement is presented to the seller who, after much discussion with his representative, counters the offer by increasing the purchase price by \$8,000; increasing the deposit by \$2,000 and increasing the supplementary deposit by \$3000. The buyers are not in a position to increase their down payment so the seller agrees to increase his seller take back mortgage to cover the purchase price.
- Calculate the balance due on completion based on the counter offer outlined in this question.
- a. \$64,000
  - b. \$152,000
  - c. \$122,000
  - d. \$268,000
43. John has successfully passed the 80 hour Course 3 General and Advanced Residential exam and has submitted his application to RECO. He intends to work as a full time salesperson with ABC Realty Inc. and is not waiting to obtain

confirmation of registration from RECO. Which of the following activities can John get involved in while he is waiting for his registration?

- a. Build a data base of potential clients from his list of friends, acquaintances and business contacts.
- b. Call friends, acquaintances and business contacts to ask them if they are interested in selling their homes.,
- c. Develop his marketing material and then send fliers marketing himself to his friends, acquaintances and business contacts.
- d. Assist with an open house for the public with another salesperson from ABC Realty Inc to get a feel for the business.

44. A mortgage is in default. What would most likely be the reason why a lender would choose power of sale as the remedy for the default?

- a. Because the borrower prefers power of sale over foreclosure.
- b. Because there is no need to obtain possession of the property when using power of sale.,
- c. Because the amount of mortgage is small in comparison to the value of the property.
- d. Because it is relatively inexpensive and the most fair to the mortgagor.

45. Buyer X is in Australia and is interested in buying a property. Salesperson Y from ABC is aware that the house was being used a Grow House. What must the salesperson do?

- a. Buyer X is in Australia and salesperson does not need to inform him of the grow house as it has now been shut down.
- b. Salesperson Y should include a full disclosure in the offer and inform buyer X before drafting an offer,
- c. Since there will be an inspection done, there is no need to inform as the inspector will not any deficiency.
- d. Salesperson does not need to do anything.

46. Salesperson Ahmed has just signed a seller representation with the following commission rates. According to REBBA 2002 what commission rate is allowed?

- I. 5% for the first \$200,000 + 4% for the next \$100,000 + 3% for next \$300,000.
  - II. 4% + \$40,000
  - III. 4% + 1% rebate if seller buys another property.
  - IV. 4% for the first \$300,000 + 5% for the next \$200,000 + 6% for the next \$100,000
- a. I and IV
  - b. II and III
  - c. I and III
  - d. I and II and IV

47. Buyer's sister, Mary is going to a minimum bid auction. Buyer calls you and asks you what Mary should be aware of when going to the auction.

- a. Buyer can reject the auction if the home inspection is not satisfactory.
- b. Buyers lawyer should do a little search before the auction
- c. Buyer should get the mortgagee to inspect the property before financing
- d. Buyer should get home inspection done prior to auction.

### Answers Sample Exam C3 Res 3

- |       |             |       |       |       |
|-------|-------------|-------|-------|-------|
| 1. C  | 2. B        | 3. B  | 4. B  | 5. B  |
| 6. A  | 7. B        | 8. A  | 9. A  | 10. B |
| 11. B | 12. B       | 13. C | 14. B | 15. A |
| 16. D | 17. C       | 18. C | 19. D | 20. A |
| 21. B | 22. C       | 23. - | 24. A | 25. A |
| 26. A | 27. D       | 28. C | 29. D | 30. A |
| 31. D | 32. D       | 33. D | 34. A | 35. C |
| 36. C | 37. B       | 38. B | 39. D | 40. B |
| 41. B | 42. A       | 43. A | 44. D | 45. B |
| 46. C | 47. B and C |       |       |       |



### Sample Exam C3 Res 2

1. Complete the following sentence: (According to the requirements of the real estate and business brokers act, a registrant must deliver a copy of an accepted agreement of purchase and sale to the party being represented or being provided with customer service.)
  - a. Only if the client or customer makes a request in writing.
  - b. Within 5 business days of acceptance of the offer.
  - c. Within 72 hours of the acceptance of the offer.
  - d. At the earliest practical opportunity.
2. What does the Statute of Frauds require when it comes to real estate contract?
  - a. The contract for the sale of real estate must comply with vendors and the purchasers act.
  - b. The parties to the contract must be at least 21 years old for it to be enforceable.
  - c. The parties to the contract for the sale of real estate situated in Ontario must use an Ontario Real Estate association form.
  - d. The contract must be in writing and signed by all parties in order for it to be enforceable.
3. What are the requirements of the Real Estate and Business Brokers Act 2002, with respect to providing copies of a listing agreement to the sellers of the property?
  - a. One copy of the listing agreement must be given to the sellers within 24 hours of it being signed.
  - b. Sellers must be given a copy of the listing agreement at the same as an offer is being signed.
  - c. Each seller must be given a copy of the listing agreement immediately upon signing it.
  - d. A copy of the listing agreement must be given to the sellers within 24 hours of a request to do so.
4. Can a listing agreement have a term of more than 6 months?
  - a. Yes, providing the seller initials the multiple listing service agreement option on the first page.
  - b. No, local real estate boards will not accept listings on their MLS systems for a period of more than 6 months.
  - c. Yes, providing the seller initials the listing agreement next to the expiry date.
  - d. No, REEBA 2002 limits the term of a listing agreement to a maximum of 6 months.
5. According to the Real Estate and Business Brokers Act 2002, at what point in time must a registrant advise buyers of the potential for multiple representations?
  - a. As soon as the buyers have signed a buyer representation agreement.
  - b. Prior to entering into a buyer representation agreement with those buyers. N
  - c. Prior to representing the buyers offer.
  - d. Prior to preparing an offer of property for the buyers.
6. Adriana has signed a listing agreement with ABC Reality Inc. Marvin has signed a customer service agreement with the same brokerage and is not a client of the brokerage. Mohan wants to make an offer on Adriana's property. What does ABC Reality Inc. need to do in order to comply with REBBA 2002 with respect to disclosing the nature of relationships?
  - a. Prior to showing the property and presenting an offer, ABC Reality Inc. must obtain written permission from the seller that it can provide customer services to the buyer.
  - b. Prior to presenting any offer ABC Reality Inc. needs to obtain written informed consent for multiple representation for the buyer customer.
  - c. Prior to showing the property and presenting an offer, ABC Reality Inc. must obtain written permission from the buyer that it can provide client services to the seller.
  - d. Prior to presenting any offer ABC Reality Inc. needs to inform both the seller and the buyer in writing of the relationship it has with each of them.
7. Both chattels and fixtures are often included in the sale of the property. What is the best description of chattels?
  - a. Items that are included in the property unless they are listed in the agreement of purchase and sale as excluded items.
  - b. Items in a property that are leased rather than owned.
  - c. Property that is permanently attached to a building.
  - d. Personal moveable items that are not part of the real property.
8. Which of the following statements is correct with respect to an agreement for sale?
  - a. An agreement for sale provides the buyer with more security and protection than a sale financed with a mortgage.
  - b. The buyer has a contractual interest in the property that gives the buyer possession but the seller redeems title to the property until the required payments are made.

- c. An agreement for sale is an agreement of purchase and sale in which the seller takes back a mortgage on the property.
  - d. An agreement for sale is an assignment of an agreement of purchase and sale.
9. Which of the following information can be obtained by a buyers lawyer performing a non-title search of a property?
- a. Previous owners of a property.
  - b. Records of discharged mortgages.
  - c. Outstanding mortgages.
  - d. Status of property taxes.
10. Just two weeks after the offer was accepted, the buyer and seller would like to change the completion date that was originally agreed to for the property at 134 Bayview Avenue. The offer was made on an OREA Agreement of Purchase and Sale Form 100. How should this change be accomplished?
- a. The completion date in the original copies of the agreement of purchase and sale should be changed.
  - b. The counter offer form should be used.
  - c. An amendment of agreement of purchase and sale form should be used.
  - d. A new agreement of purchase and sale form should be used.
11. The following statements are with respect to Life Lease projects. Which of the following is correct?
- a. Life lease projects allow seniors to purchase the right to occupy a unit for their lifetime.
  - b. Life lease projects provide an alternative for seniors who want to live in a condominium but are unwilling to pay maintenance fees.
  - c. Life lease projects are designed to give tenants security for tenure and a monthly rent that will not increase over their lifetime.
  - d. Life lease projects give occupants a fee simple interest in their unit plus a leasehold interest in various amenities such as fitness facilities with gym equipment.
12. What kind of legislation covers some of the operational matters in a care home which provides independent and assisted living for mature adults?
- a. The Tenant Protection Act.
  - b. The Condominium Act.
  - c. The Co-operative Corporations Act.
  - d. The Residential Tenancies Act.
13. In an agreement of purchase and sale for building a lot, which of the following guidelines should be followed?
- a. A description of the building to be built on the lot should be included in the present use section of the agreement.
  - b. The buyer should verify or make the offer conditional on verifying which services are available to the property.
  - c. If a severance is required there is no need for a condition as it is covered in the pre-printed clauses.
  - d. The lot dimensions should not be included as minor discrepancies in lot sizes are common.
14. Anna wants to buy a cottage with a frontage on a small lands locked lake, and then construct a dock or boathouse on the shoreline. Who would Anna need to contact to obtain the requisite permit?
- a. The local Conservative Authority.
  - b. Ministry of Environment.
  - c. Ministry of Natural Resources.
  - d. Department of Canadian Heritage.
15. What might be one of the indications that a suspicious transaction could possibly be taking place?
- a. A client purchasing multiple properties in a short space of time without inspecting them.
  - b. A buyer client with substantial assets not wanting to give a large deposit with their offer.
  - c. A seller client insisting on over pricing their property and not seeming concerned whether it sells or not.
  - d. A buyer client that is insisting on putting numerous conditional clauses in their offer but not insisting on additional inspections prior to closing.
16. Which of the following would be an environmental concern for a buyer when purchasing a residential property?
- a. Access to the property is by way of a private road.
  - b. The property has an oil fired furnace but had no visible oil tank.
  - c. The property is being sold by a mortgagee under a power of sale.
  - d. The property is zoned for both residential and commercial.
17. Which of the following is a correct statement with respect to a property designated as a heritage property?
- a. Alternatives to a property require the written approval of the municipal council.
  - b. Because of the value inherent in the historical nature of the property municipalities tend to FRI reality taxes.

- c. Insurance premiums are typically lower than other homes of the same size.  
d. The property is subject to the same rights and restrictions as any other property except for the installation of a historical plate.
18. As a general rule which of the following statements would be correct in respect to assigning a contract.  
a. An independent contractor agreement between brokerage and salesperson is assignable.  
b. A mortgagee can assign a mortgage but a mortgagor cannot because a liability cannot normally be assigned to anyone else.  
c. Agreements of purchase and sale are not assignable.  
d. All contracts are assignable without any restrictions or limitations.
19. This type of prospecting is effective for three reasons.  
1. Potential buyers can view the list of properties.  
2. The seller knows that a sincere effort is being made to sell the home.  
3. The salesperson has an opportunity to meet prospects.
- Which type of prospecting is being described above?
- a. Open Houses  
b. Cold Calling  
c. For Sale by Owners  
d. Expired Listings
20. The National Do-Not Call List applies to telemarketers making phone calls to solicit businesses. In this connection it would be correct to say that:  
a. The National Do-Not Call List applies to cold calls made to consumers to solicit business whether the cold call was made by phone, fax, door knocking or by email.  
b. Salespeople are exempt from the regulations under the National Do-Not Call List as they would not be considered telemarketers under REBBA 2002.  
c. You may call a consumer on the do not call list if they have specifically given permission to be contacted.  
d. The do not call requirements apply to cold calling for listings but do not apply to soliciting buyers.
21. Jamieson is a buyer interested in purchasing 45 Lakes Drive. The basement is finished however there is significant structural problem with the foundation, and a persistent problem of water leaking into the basement. There is also a broken window pane on the main floor. On the day that Jamieson viewed the property there was no evidence of the leaky basement or the structural problem with the foundation which was impossible to view. Because of the finished basement, he also did not see the broken window pane. Joshua purchases the property through a cooperating brokerage. The listing salesperson was aware of the problems but the selling salesperson was not informed. Based on this scenario what concerns do you have with the contract for the purchase of 45 Lakes Drive with respect to genuine intention.  
a. There is a problem as the listing salesperson failed to disclose both the problem with the basement and the broken window. They are both material latent defects.  
b. There is a problem as the listing salesperson failed to disclose the problem with the basement, and it is a material latent defect.  
c. There is no problem under contract law as both problems are patent defects and do not need to be disclosed.  
d. There is no problem under contract law, as both problems are material latent defects and do not need to be disclosed.
22. Arnold is a buyer who has signed an Ontario Real Estate association Buyer representation agreement with ABC Reality Inc. at a commission rate of 3% commencing on the 3<sup>rd</sup> of May and expiry on August 3<sup>rd</sup>. There is a 3 month holdover clause. Arnold does not renew the buyer representation agreement on the 3<sup>rd</sup> of august and signs no further agreement with any other brokerage. On July 30<sup>th</sup> Arnold became aware of and went to see a property which was being sold property. He makes an offer on the property on the 5<sup>th</sup> of august which is accepted the next day. The transaction is set to close on December 14<sup>th</sup>. Based on the information presented, would Arnold owe ABC Reality Inc. a commission under the buyer representation agreement and why?  
a. No because the closing on the sale of the property was after both the term of the buyer representation agreement and the holdover period contained on the contract.  
b. Yes because he saw the property during the term of the buyer representation agreement and made an offer which was accepted during the hold over period.  
c. No because he made an offer on the property only after the term of the buyer representation agreement had expired.  
d. Yes but only if the brokerage had made him aware of the property and had accompanied him to the property.

23. Jim works for ABC Reality Inc. and is the listing sales person for the seller of 66 Leslie St. The seller has signed an OREA working with a realtor brochure and listing agreement. After a few days of being on the MLS system the property is shown by another salesperson at ABC Reality Inc. to Agnes who has signed an OREA working with a realtor brochure and buyer representation agreement with ABC Reality Inc. Agnes makes an offer on 66 Leslie St. using an OREA agreement of purchase and sale, which is accepted apart from a full explanation and discussion of the preprinted clauses contained in the above forms/brochures. No other discussions of multiple representations have taken place and no other forms have been signed. Based on the information provided, have the salespeople at ABC Reality Inc met their obligation with respect to multiple representations?
- Yes. The buyer has signed a buyer representation agreement and the seller has signed a listing agreement and both these forms provide for the necessary informed consent regarding multiple representation.
  - No, the salesperson should have prior to the offer being presented obtained informed written consent to the multiple representations from the buyer and seller.
  - No, the salesperson should have obtained informed written consent to the multiple representations from the buyer and the seller including a multiple representation clause in the offer.
  - Yes, the working with a realtor brochure has been signed by all the parties to the trade and it provides necessary information consent needed in regarding multiple representations.
24. Conditions in an agreement of purchase and sale can be written in a precedent format or a subsequent format. Which of the following statements is correct as it relates to these two formats?
- Any condition written in the form of a condition precedent can also be written as a condition subsequent.
  - A waiver clause must always be added to a condition subsequent.
  - Conditions for the mortgagee approval of a buyer to assume an existing mortgage are written in the subsequent format.
  - A condition subsequent reads a binding agreement between the parties, but gives one of the parties the option to terminate the agreement.
25. XYZ Reality Estate Ltd. Has a listing at 67 Pine Lane. On Feb 2<sup>nd</sup> Jim, the salesperson with ABC Reality Inc, showed the property and prepared an offer for this buyer client, irrevocable until Feb 8<sup>th</sup>. The offer was presented to the sellers at 7:00p.m. On Feb 4<sup>th</sup> the sellers made a counter offer. At 9:00 a.m. on Feb. 5<sup>th</sup> Jim contacted the buyer by phone, and the buyer verbally accepted the counter offer. The next day Jim met with the buyer to finalize the agreement. The sellers received their accepted offer the next day. What date would be or next to the buyers signature in the acknowledgment section of the OREA agreement of purchase and sale?
- February 6<sup>th</sup>
  - February 8<sup>th</sup>
  - February 5<sup>th</sup>
  - February 7<sup>th</sup>
26. Saddie is a salesperson with ABC Reality Inc. Saddie's buyer client has asked her to draw up an offer to purchase a mobile home which is located on site number 59. Within Windy Hills Mobile Home Park, Saddie is using an OREA agreement of purchase and sale. The mobile/modular/manufactured home on leased premises. What interest in the land would the buyer obtain from the seller of the mobile home?
- The buyer in actual fact would be obtaining a fee simple ownership of the land from the seller.
  - The buyer would be subletting the land from the seller and as a result would actually obtain no interest in the land at all.
  - The buyer would be receiving an assignment of the land lease from the seller resulting in a lease hold interest.
  - The buyer would obtain joint tenancy ownership of the land from all of the other mobile home owners out there in the park.
27. A property owner has complained to the municipality that a nearby farm is creating a nuisance. There is also an awful smell and noise coming from the farm. The municipality looks into it and finds that the farm practice is violating its zoning bylaw with respect to noise and odor. Are there any circumstances under which the farm would be allowed to continue this nuisance even though it is a violation of the zoning bylaw?
- Yes, but only if the bylaw was introduced after the passing of the farming and food production protection act.
  - No, bylaws are created to protect property owners from this type of nuisance, and are strictly enforced.
  - No the right of the quiet enjoyment is enshrined in the bundle of rights and enjoyed by all property owners.
  - Yes provided it can be established that the nuisance is a result of normal farm practice.
28. Which of the following statements critically applies to the three phases of environmental audits?
- A phase 3 audit is an inspection to verify all environmental problems have been removed or corrected.
  - A phase 2 audit involves a report detailing review of the steps of the projected cause.

- c. A phase 1 audit involves reviewing related records and documents and testing soil and water samples to identify the extent of the environmental problems.
  - d. A phase 1 audit determines if recent success to indicate the property may have environmental contamination.
29. Why might a buyer insist on a condition to obtain fire insurance for the property in schedule A. of an agreement of purchase and sale?
- a. A clause in the agreement would be required if the buyer wants to obtain title insurance.
  - b. Because there is no mention of insurance in the standard pre-printed clauses in the agreement.
  - c. A buyer may want a clause that describes the sellers existing insurance because the buyers is obligated to assume the policy.
  - d. The buyer may not want to complete the transaction if the cost of the coverage is too high.
30. Why might a salesperson choose independent contractor status over employee status?
- a. The salesperson wants to minimize book keeping duties and dealing with tax related matters so that the salesperson can concentrate on prospecting and selling.
  - b. According to the Real Estate and Business Brokers Act 2002 an independent contractor sales person has more status and authority than an employee salesperson.
  - c. Obtaining support and assistance from the brokerage management is a priority for the salesperson.
  - d. The salesperson would like to minimize and control and supervision exercise of the brokerage.

#### Case Study

Ch 7

Salesperson Bruce of ABC Reality Inc is preparing an offer for his buyer client on a property listed with XYZ Real Estate Ltd. The property at 93 Lester St. is a detached bungalow with a basement apartment. The buyer intends to move into the main floor of the house and continue renting out the basement apartment. The buyer mentioned to Ahmed that he wants to make sure that he won't have to pay GST on top of the purchase price. Answer the following 3 questions related to the scenario above, and the wording of the OREA agreement of purchase and sale.

31. Clauses 3 notices on the OREA agreement of purchase and sale, has spaces to insert a fax number for delivery of notices to a seller and delivery of notices to a buyer. Under which of the following circumstances would it be appropriate for brokerage fax numbers to be entered in both of those spaces in clause 3 of the agreement of purchase and sale.
1. When the listing brokerage represents the seller and the co-operating brokerage represents the buyer.
  2. When the listing brokerage represents both the buyer and the seller.
  3. When the listing brokerage represents the seller and the cooperating brokerage is a sub-agent of that listing brokerage.
  4. When a private seller has signed a seller customer service agreement with the same brokerage that has the buyer as a client.
    - a. Only in circumstances described in option 1.
    - b. Only in circumstances described in options 1 and 2.
    - c. In all 4 circumstances.
    - d. Only in the circumstances described in options 1, 2 and 3.
32. How would Bruce have completed Clause 7 GST in the agreement of purchase and sale and why?
- a. The clause would have been left blank until the seller certified whether the GST is payable in the transaction or not.
  - b. The words 'in addition to' would have been typed as: 'This would result in seller having to pay a GST if the property was subject to this tax.'
  - c. The words 'included in' would have been typed in as this would result in the seller having to pay GST if the property was subject to this tax.
  - d. The words 'in addition to' would have been typed in as the seller would be confirming that the transaction would be subject to GST.
33. As stated previously, the basement apartment in the property is currently being rented to a tenant. If Bruce leaves the 'present use' link blank in clause 8 (title search) of the agreement? What effect would this have on the transaction?
- a. The seller is representing that the basement apartment is illegal.
  - b. It makes the agreement voidable because essential information is missing.
  - c. The property has a basement apartment and the seller is representing that its use is legal.
  - d. The seller is representing that the property can legally be used as a single family residence.

### Case Study

Rudy Sanchez is a salesperson employed by ABC Reality Inc. He is currently preparing an offer for his buyer client on a property at 93 Elm St. listed by XYZ Real Estate Ltd. The buyer is offering \$375,000 check as a deposit upon acceptance. The buyer does not require any financing as he has enough money in the bank to pay all cash for the property. The buyer is particularly interested in this property as it is a bungalow with a large unfinished basement in which he intends to create an accessory apartment. One of his friends has already agreed to rent the apartment when it is finished. The property is currently occupied by the seller and the zoning of the property is R1 residential which allows single family residential. The offer is being drafted on an OREA agreement of purchase and sale from 100. A copy of which is in the Appendix. Answer the following questions based on the case study.

34. What reporting obligation must be met by Rudy Sanchez and ABC Reality Inc. based on the financial details of the offer?

- a. A receipt of funds record must be completed for the deposit and the transaction and retained for five years.
- b. Since there is no new financing involved in the offer the entire purchase price must be treated as a large cash transaction and reported to FINTRAC.
- c. The deposit was by way of a check rather than cash so no receipt of funds record need to be completed.
- d. Because the deposit check exceeds \$10,000 a large cash transaction report must be made to FINTRAC.

35. What effect does the pre-printed wording of the agreement of purchase and sale has on the buyer's plans to finish and rent out an accessory apartment?

- a. The title search clause permits the buyer to make an objection to title, based on the single family residential use. The seller must apply to have the use changes prior to closing with buyer can nullify the agreement.
- b. The present use of the property is single family residential. The seller is making no warrant as to the possibility of changing the use.
- c. The premise of the present use clause is to allow the buyer to describe the intended use of the property.
- d. The reference to the title insurance in the agreement will permit the seller to purchase title insurance in favor of the buyer to cover any risks associated with recreation and rental of the apartment.

36. The buyer's offer is accepted and prior to closing it is revealed that the seller of 93 elm street is a non resident of Canada, and a significant amount of capital gains tax would be owing on the property.

Which of the following describes how the buyer can protect himself from the possible liability to pay the sellers capital gains tax?

- a. The buyer must file a declaration with the Canada revenue agency stating that he is a resident of Canada.
- b. The seller will need to provide the buyer with a ministry of national revenue certificate within 30 days after closing showing that the taxes owing on the property have been paid.
- c. If the seller cannot prove that the capital gains tax has been paid prior to closing, the buyer cannot declare the agreement null and void and refuse to close the transaction.
- d. On closing the buyer can withhold the amount that is necessary to pay the sellers capital gains tax for the transaction.

### Case Study

Tim is a salesperson working for the ABC Reality Inc. His client Jane Arckett has just been shown a suite 50675 Danforth St. A 2 bedroom luxury condominium, based on Jane's instructions, Tim has prepared an agreement to lease in which the monthly rent and deposit is \$1750 and there is a 1 year lease term. Jane signs the agreement and it is faxed to the owner's sales representative at XYZ Real Estate Ltd. The owner counter offer with a monthly rent of \$1800 and a deposit of \$2500 and adds a no pet provision into the Schedule A of the agreement. Jane does not have a pet and accepts the owners counter offer.

Answer the following three questions based on the information provided.

37. Is there a problem with respect to the owners respect for a rent deposit?

- a. Yes a rent deposit is allowed but it cannot be more than a monthly rent of \$1800.
- b. Yes the residential tenancies act prohibits both security and rent deposits.
- c. Yes another residential tenancies act. Rent deposits are not allowed although security deposits are allowed.
- d. No a landlord is entitled to negotiate a rent deposit with the tenant and it is up to the parties as to what amount is agreed.

38. Jane moves into the condominium and five months later she buys a dog. The property manager the owner about the dog and the owner demands that Jane remove the dog from the premises. Does Jane have to comply with the request?

- a. Jane will have to comply and remove the dog, if there is a no pet provision in the condominium declaration document.

- b. Jane will have to comply with the request, because the lease does not contain a clause stating that a dog is permitted.
  - c. Jane would only have to comply if she owned a dog prior to the lease being assigned, and kept this information for the owner.
  - d. The residential tenancies act protects pets and this act overrides any provisions in the condo's declaration approving the dog.
39. Jane's lease expires on September 30<sup>th</sup>. The owner/landlord wants her mother to move into the unit and on May 10<sup>th</sup> gives Jane a written 30 day notice of termination. Can the owner's mother move into the unit on June 10<sup>th</sup>?
- a. No the property is leased until September 30<sup>th</sup> and the notice cannot require vacant possession before the end of the lease.
  - b. No a landlord can only terminate the lease if it was the owner who wanted to move into the property.
  - c. No a 60 days' notice is required for a relative and so the earliest that the mother could move in would be the 1<sup>st</sup> of August.
  - d. Yes the residential tenancies act allows a landlord to terminate a lease at anytime for the purposes of moving a parent into the premise.

#### Case Study

It is the 5<sup>th</sup> of June and Sara Chow a salesperson with ABC Reality Inc has just shown a condominium to her client, Matt. The property is a 2 bedroom unit located at 57 Bloor St. and listed by XYZ Realty Real Estate. Even though it has no rec-rooms, swimming pools or exercise rooms, Matt is impressed with the condition of the building and decided to make an offer. The offer is conditional on Matt's lawyer reviewing the condominium a status certificate, with judgments finding it to be satisfactory. The condition is written in a precedent format and requires that Matt request a status certificate within two days of acceptance of the offer and it gives him until 5p.m. on the 16<sup>th</sup> of June to satisfy the condition. The closing date is July 12<sup>th</sup>. The offer is signed by Matt at 6pm on 5<sup>th</sup> of June, presented to the seller and accepted by the seller on June 6<sup>th</sup>. Matt requires the status certificate from the condominium corporation's management company on June 7<sup>th</sup>.

Answer the following 3 questions based on the information provided in the case study above.

40. Does the information provided in the case study with respect to the status certificate cause for any real concern?
- a. The only real concern is that the offer should be made conditional on the seller's lawyer (and not the buyer's lawyer) reviewing the status certificate with accompanying attachments and proving them in order for the buyer to waive the condition.
  - b. Yes, there is a concern. Even though the condominium corporation is legally allowed 10 days in which to provide the status certificate there may not be sufficient time to allow for the document to be provided to Matt and for his lawyer to review.
  - c. The only concern would be that a buyer could not request a status request. Only the owner of the unit is entitled to request this document and the request must go to the Ministry of Municipal Affairs and Housing.
  - d. Yes, there would be some concern as the time of 16<sup>th</sup> of June is far too long a time frame for such a condition. A more appropriate time frame would be to allow 5 days to update the certificate and for the lawyer to review.
41. Which of the following documents would be included with the status certificate to be given to Matt's Lawyer for this review prior to 5pm on the 16<sup>th</sup> of June?
1. A copy of the most recent condominium budget.
  2. A credit reports on the seller and the board of directors.
  3. Copy of the declaration of bylaws.
  4. Copies of all previous offers on the subject unit.
- a. The documents in option 3 and 4 only.
  - b. The documents in option 1 and 3 only.
  - c. The documents in option 1, 3 and 4 only.
  - d. The documents in option 2 and 4 only.
42. The sale closes as scheduled on the 12<sup>th</sup> of July and on November 19<sup>th</sup> a special meeting is called for the condominium board of directors. At the meeting of directors propose spending \$300,000 to build a recreation centre with the money coming from the reserve fund which has a balance of over 2 million dollars. 70% of all unit holders vote in favour of the proposal. The board announces that they will be proceeding with the proposal. Are there any problems with the proposal?
- a. Yes, the reserve fund can only be used to pay for the day to day common expenses such as heat, hydro, and employee wages. In addition to this, the recreation centre can only be built if 100% unit owners vote in favour and it is approved by the courts.

- b. Yes, the Condominium Act expressively prohibits additions, alterations or improvements to any part of an existing condominium building, including the common elements.
- c. If money is to be taken from the reserve fund for the project approved by the board then the Condominium Act requires that a 100% of all unit owner's and 50% of all tenants must vote in favour of the project.
- d. There is no problem with the vote to build the recreation centre. But the reserve fund itself cannot be used to pay for the construction of a brand new common element.

#### **Case Study**

Chander is a newly registered salesperson working with ABC Reality Inc. he is at a listing appointment with Paula Jones, who wants to sell her property at 120 Browns Street and buy a large property just outside of the town. Answer the following three questions related to this case study.

43. Paula agrees to let Chander list her property for sale as Jim starts to complete the listing agreement here is the deeds when he comes to the commission section of the form. The options that he has considering are:

1. 3% of the first 200,000, 4% of the next 100,000, 5% of any amount over 300,000.
2. 5% of the first 200,000, 4% of the next 100,000, 3% of any amount over 300,000.
3. 4% of the selling price was 2000 flat fee.
4. 5% of the selling price with a rebate of 1% to Charlotte if she buys the property through ABC Reality Inc.

Which of the above commission options are permitted by REBBA 2002?

- a. Only options 2 and 4 are permitted by REBBA 2002.
- b. All 4 options are permitted by REBBA 2002.
- c. Only options 1, 2 and 3 are permitted by REBBA 2002.
- d. Only option 3 is permitted by REBBA 2002.

44. Paula signs the listing agreement and then mentions that her sister is thinking of buying her property at a minimum bid auction. She asks Chander if he could advise her as to what sort of things her sister needs to consider before registering her interest in the property. In response Chander makes the following statements:

1. A buyer tends to bid on a property at this kind of auction and needs financing, should get there lender to inspect the property and give a letter of commitment prior to the auction.
2. A buyer at a minimum bid auction does not have to complete the purchase if after the auction the buyer obtains an unsatisfactory home inspection report.
3. A buyer needs to have a buyer check the title and make it necessary title and long title searches prior to the auction.
4. It is the buyer who is really in control of the process at a minimum bid auction and sellers are found that these types of auctions are not successful when it comes to unique properties.

Which of the following statements made from Chander about minimum bid auctions are correct?

- a. Only statements 1, 3 are correct.
- b. Only statements in 1, 2, and 3 are correct.
- c. Only statements in 2, 4 are correct.
- d. Only statements in 2, 3, and 4 are correct.

45. Two days after the listing agreement is signed, Chander takes Paula to see several properties including 197 Airwood Rd. Paula is very interested in this property as it is a large and located on the outskirts of town. The property has 180 ft X 200 ft lot with a century old home situated on the east side of the lot. This property is under a power of sale from a private lender. Paula is the keen on buying the property, moving into the old home and selling a portion of the lot, 80 ft X200 ft. The property has been on the market for a while, and Paula has heard rumours from a number of people in the area that a battery factory used to be located next to the property and has contaminated the soil before the building was demolished. These rumours have been recorded in the local newspaper. Paula has asked Chander to advise her about the issues that need to be addressed in making an offer and possibility of sale of the part of the property.

Chander responds with the following statements:

1. The seller may agree to representing and warranty of a successful outcome of an environmental audit. The first phase of that audit would be to conduct an analysis on the soil to see if there is a problem. The second phase of the audit would be to find out if there was a battery factory on or near the site.
2. Even if it turns out that there are no environmental problems there could still be a stigma attached to the property as a result of all of the rumours and press records. A stigma could continue to have a negative influence on the property's value and we would be null advised to disclose the stigma to any potential purchaser of the portion of the lot that we intend to server.

3. You can sell a portion of the property which has not yet been severed but the sale will not close unless a severance has been approved.
4. It is typical that the buyer of a property being severed would be asked to pay for the severance, and that is made clear in Clause 15 of the OREA Agreement of Purchase and Sale.

Which of the above statements made by Chander are correct?

- a. Only the statements in 1, 2 and 3 are correct.
- b. Only the statements in 2 and 3 are correct.
- c. Only the statements in 2, 3 and 4 are correct.
- d. Only the statements in 1 and 4 are correct.

**Answers Sample Test 2**

1. d	2. d	3. c	4. c	5. b
6. d	7. d	8. b	9. d	10. c
11. a	12. d	13. b	14. c	15. a
16. b	17. a	18. b	19. a	20. c
21. b	22. d	23. b	24. d	25. a
26. c	27. d	28. a	29. d	30. a
31. a	32. c	33. d	34. a	35. b
36. d	37. a	38. a	39. c	40. b
41. b	42. d	43. a	44. a	45. b



### Sample Exam C3 Res 1

1. When the contract is signed under seal, which of the following statements hold true?
  - a. The consideration may or may not exist to make it a valid contract.
  - b. All contracts signed under seal should have some consideration of value.
  - c. Contracts under seal are not voidable when signed with minors.
  - d. A contract under seal is valid even without signatures.
2. Which of the following searches do not relate to title but are still performed by buyer's solicitor?
  - a. Seller's status as resident or non-resident.
  - b. Seller's compliance with the Planning Act.
  - c. Restrictive covenants on the property.
  - d. Unregistered easements on the property.
3. Which of the following statements are true about the Commission Trust Account?
  - a. It is mandatory for every brokerage according to REBBA 2002.
  - b. Every salesperson/broker must have his/her own Commission Trust Account.
  - c. Commission claims are not covered by RECO Insurance if Commission Trust Account is not maintained by a brokerage and the salesperson knows it.
  - d. Commission Trust Account enables salespersons/brokers to withdraw part of commission money in advance.
4. When the buyers and sellers sign the agreement, which of the following cannot sign as witness for seller's signatures?
  - a. A close relative of seller.
  - b. The signatory of the agreement.
  - c. The seller's salesperson.
  - d. Anyone who has age of majority.
5. Which of the following statements are correct about the Planning Act clause?
  - a. It provides that the agreement remains a legally binding agreement if the buyer does not use the property according to the provisions of the Planning Act.
  - b. It provides that the buyer should get necessary consents from appropriate authorities before completion for any improvements done on the property by the seller.
  - c. It provides that the buyer may terminate the agreement if the seller has not complied with the Planning Act.
  - d. It provides that the seller must comply with the Planning Act before accepting the agreement.
6. Which of the following statements is correct about the timing of completing the Individual Identification Information Form?
  - a. The listing brokerage must complete this form at the time of signing the Listing agreement.
  - b. The co-operating brokerage must complete this form when the buyer signs the Agreement of Purchase and Sale.
  - c. The listing brokerage is responsible for completing the form for both the buyers and the sellers when the seller accepts the offer.
  - d. The co-operating brokerage must complete this form for both buyers and sellers when the buyers submit the offer.
7. Which of the following statements are incorrect about Title Insurance?
  - a. The seller may avoid the cost of a new survey for the property.
  - b. Last minutes closing problems may be avoided.
  - c. The solicitors may insist that buyers obtain Title Insurance to cover document errors.
  - d. Title Insurance may covers all document forgery and acts of fraud.
8. Which of the following situations would make a contract void?
  - a. When the contract is accepted within the time frame given in the offer.
  - b. When the terms and conditions are not definite and clear.
  - c. When the parties to the contract have reached the age of majority.
  - d. When the contract is signed under seal and has no consideration.
9. Evan is the listing salesperson for 123 Main Street. He has just received three competing offers from three different brokerages. What is he required to do regarding those offers according to the Real Estate and Business Brokers Act?
  - a. Disclose and provide details of the competing offers to each buyer.
  - b. Provide confidentiality to the seller by ensuring that the buyers are not aware of the competing offers.
  - c. Disclose the number of competing offers to each buyer.
  - d. Request that each buyer come in with their best buyer.
10. According to the Real Estate and Business Brokers Act, at what point must a listing agreement be reduced to writing and submitted to a seller for his/her signature?

- a. At the earliest practical opportunity but at the latest before any buyer makes an offer.
- b. At the earliest practical opportunity, but at the very latest prior to a for sale sign being placed on the property.
- c. At the earliest practical opportunity, but at the very latest before the property is advertised for sale.
- d. At the earliest practical opportunity, but at the very latest prior to the property being shown to any buyer.

11. Which of the following would be a duty owed to a brokerage by a buyer who has signed Buyer Representation Agreement?

- a. Full disclosure
- b. Accounting
- c. Competence
- d. Remuneration

12. Which of the following information could be obtained by a buyer's lawyer performing a non-title search of a property?

- a. Planning Act complete
- b. Outstanding mortgages
- c. Status of property taxes
- d. Restrictive covenants affecting a property

13. The purchase of title insurance can benefit a buyer as it could result in their being able to avoid the expense of:

- a. A new survey for the property
- b. Insurance on a high ratio mortgage
- c. Fire insurance for the property
- d. A home inspection on the property

14. Which of the following is a correct statement as it relates to condominium?

- a. The purpose of the reserve fund is to pay for the regular maintenance of the common elements/
- b. Unit owners in a condominium are typically subject to use restrictions; e.g. no signs permitted unless approved by the corporation.
- c. Liens registered against a unit for non-payment of common expenses take priority over all other encumbrances whether registered or unregistered.
- d. The amount of common expenses payable by a unit owner is determined by dividing the current budget by the number of units in the building.

15. Mobile home parks where the homes are being used on a permanent basis by the families that live there are subject to legislative requirements set out in the:

- a. Condominium Act
- b. Co-operative Corporations Act
- c. Landlord and Tenant Act
- d. Residential Tenancies Act

16. Which of the following is a requirement for underground storage tanks?

- a. The requirements apply to tanks for both fuel and for water.
- b. All tanks that are underground must be removed
- c. All contractors working on fuel oil equipment must be registered with TSSA.
- d. Fuel oil tanks within building levels that are below grade are considered to be underground.

17. May is purchasing an older cottage and intends to put in a new septic system. The size of the septic system will be determined by:

- a. The frontage and depth of the cottage lot.
- b. The location of the well on the property.
- c. The number of kitchen and bathroom fixtures in the cottage.
- d. The size of the bathroom in the cottage.

18. Seller Smith has listed his property with ABC Realty, Inc. A buyer when inspecting the property asks if the nearby school offers secondary education. The seller who did not know about it asked the question to his neighbour who affirmed the fact. The buyer relied upon this information and purchases the property. Later, the buyer discovers that the nearest secondary school is about 3 miles away. As a result, the buyer decided not to close the deal. What is the basis of buyer's decision to terminate the contract?

- a. Fraudulent misrepresentation.
- b. Innocent misrepresentation.
- c. Negligent misrepresentation.
- d. Reckless disregard of truth.

19. Salesperson Lee of ABC Realty Inc is insisting Mr. & Mrs. Gandhi to provide information required for the Individual Identification Information Form. Mr. & Mrs. Gandhi have already signed a Buyer Customer Service Agreement with ABC Realty, Inc and are reluctant to give out any more information. Which of the following is a valid option for salesperson Lee to comply with the requirements of Proceeds of Crime (Money Laundering) and Terrorist Financing Act?

- a. Make a note on the form and proceed with the transaction.
- b. Inform FINTRAC immediately as it looks like a suspicious transaction.
- c. Make it clear to Mr. & Mrs. Gandhi that this is mandatory and he cannot work for them unless they have provided the necessary identification information.
- d. Ask Mr. & Mrs. Gandhi to sign the Buyer Representation Agreement as the identification information is included in that form.

20. Salesperson Garcia of ABC Realty Inc has prepared an offer for her buyer clients, which is dated 15<sup>th</sup> of May, 20xx. The buyers want to give at least two days to the sellers to consider their offer. The offer is conditional upon arranging a home inspection within ten business days following the acceptance. The completion date is approximately two months from the offer date. Garcia inserts the following information in the Agreement of Purchase and Sale.

*Irrevocability: By Buyers until 10.00 pm on May 17, 20xx.*

*Completion Date: July 20, 20xx.*

*Title Search: May 20, 20xx.*

What problems or concerns do you see in these dates?

- a. The title search date is too early.
- b. There is not enough time for the sellers to consider the offer.
- c. The completion date is incorrect.
- d. The conditional time is too long.

21. Buyer's lawyer requests the seller's lawyer that he needs the survey of the property in order to proceed with completion of the transaction. The seller's lawyer expresses his inability to provide one. Which of the following are valid options for buyer?

- a. Terminate the deal because it is a condition in the pre-printed wording of agreement.
- b. Close the deal without the survey.
- c. The seller must provide a new survey at his own expense as this is in the agreement.
- d. The buyer must obtain Title Insurance in the absence of a survey.

22. Salesperson Ward of XYZ Real Estate Ltd. has received an offer of \$359,000 from Salesperson Garcia of ABC Realty Inc. The buyers have agreed to a deposit of \$10,000 Upon Acceptance of the offer and another deposit of \$10,000 when the conditions are fulfilled by the buyers. Salesperson looks at the Schedule A of the offer and finds the following clause:  
*'The buyer agrees to pay a further sum of ten thousand dollars (\$10,000) by negotiable cheque to ABC Realty Inc not later than the date set for fulfillment of conditions by the buyers. This amount is for the supplementary deposit until completion or other termination of this agreement and is to be credited towards the purchase price upon completion of this transaction.'*

What problem do you see with this clause?

- a. The words 'subject to adjustments' is missing.
- b. The amount should be given as a certified cheque or bank draft.
- c. It is unclear when this amount is to be submitted.
- d. There is no provision that the amount should be held in trust account.

23. Seller Smith received an offer for his property, which had an irrevocable date at 5.00 pm next day. He accepted the offer and called his sales representative but he did not call back until 4.30 next day. The salesperson took the accepted offer from seller Smith and called the listing salesperson about acceptance of offer. He then faxed the offer to listing brokerage office at 5.15 pm. The listing salesperson then presented the offer accepted by seller to his buyer client.

- i) The buyer may sign the offer and sign acknowledgement anytime as the offer has already been accepted.
- ii) The buyer may refuse to sign the acknowledgement as the irrevocable time has expired.
- iii) The listing salesperson should tell the buyer to sign the accepted offer and insert 4.30 pm time.
- iv) The contract will be binding as the offer and acceptance has been confirmed.

Which of the above statements is correct?

- a. i) and ii) statements are correct.
- b. i) and iii) statements are correct.
- c. ii) and iv) statements are correct.
- d. None of the above statements is correct.

24. Jerry is the listing salesperson for 123 Main Street. At 6:00 pm on Friday the 18<sup>th</sup> of March, he received an offer on the property from a co-operating brokerage. It was irrevocable until 12:30 pm on Monday, March 21<sup>st</sup>. Jerry was going away for the weekend but would be returning late Sunday night. As a result, he did not call his seller clients until 8:00 am on Monday; March 21<sup>st</sup> to let them know there was an offer. An offer presentation was scheduled for 9:00 am on Monday morning. Has there been any violation of the Real Estate and Business Brokers Act?

- a. Yes. At the very least, Jerry should have called the buyer's salesperson to advise that he would be away for the weekend and ask for an extension of the irrevocable date.
- b. No, the offer presentation is taking place well before the end of the irrevocable period and the seller client has not been disadvantaged.
- c. No, the irrevocable time period does not start to run until the offer is presented to the seller.
- d. Yes, when Jerry received the offer, he should have immediately called the seller to advise of the offer and arrange for the offer presentation.

25. Jim is the owner of 123 Main Street. He has signed an Ontario Real Estate Association Listing Agreement with a commission rate of 5%. The listing brokerage brings a firm offer with no conditions for \$275000, which is accepted by Jim. However, the sale does not close as a result of the buyer not being able to obtain sufficient financing. Will Jim still owe the listing brokerage a commission?

- a. No. The listing agreement specifies that commission is only payable upon the completion of the transaction.
- b. No, the listing agreement specifies that commission is only payable on non completion of a transaction if it is as a result of the fault of the seller.
- c. Yes, the agreement of purchase and sales contains a clause stating that the commission is due and payable on the originally schedules completion date.
- d. Yes, the listing agreement specifies that commission is payable on non completion of a transaction regardless of which party was at fault.

26. The property at 55 Willis Lane is listed with ABC Realty Inc. utilizing an OREA Listing Agreement. The listing salesperson is in receipt of 2 offers on the property. One of the offers is from a buyer being represented by a co-operating brokerage and the other is from a buyer named Ahmed who has signed an OREA Buyer Representation Agreement with ABC Realty Inc. informs both the co-operating brokerage and Ahmed of the competing offers. Ahmed demands to know the details of the other offer since ABC Realty Inc. has a copy of that other offer and is representing him and owes him the fiduciary duty of full disclosure. How should ABC Realty Inc. proceed and why?

- a. ABC Realty Inc should not disclose any details of the offer from the co-operating brokerage and this was agreed to in the Buyer Representation Agreement signed by Ahmed.
- b. Since both buyers are clients, the Real Estate and Business Brokers Act requires ABC Realty Inc to disclose the details of both offers to both buyers in order to ensure that their best interests are being promoted.
- c. The Real Estate and Business Brokers Act requires that in a competing offer situation, ABC Realty Inc. must inform Ahmed that there is a competing offer and the details contained in that offer.
- d. Ahmed is a client of ABC Realty Inc and based on the duty of full disclosure, ABC Realty Inc. must disclose that there another offer and the full details of that other offer.

27. Ahmed has just been shown suite 204 at 123 Main Street which is a co-operative building. He is impressed and would like to make an offer on this unit. What is being purchased by Ahmed?

- a. The exclusive right to occupy and use the suite and shares in the capital of the corporation that owns the property.
- b. The fee simple ownership in the unit and a tenancy in common interest with respect to the common elements.
- c. The fee simple ownership in the unit and a percentage ownership of the common elements.
- d. A leasehold interest in the unit and exclusive rights to the common elements.

28. John bought a brand new, two storey home and took possession on the 15<sup>th</sup> of January. On May 20<sup>th</sup> of the following year, John sold the property to Judy and the transaction closed two months later on July 20<sup>th</sup>. Within a month of the closing, Judy finds that several of the interior doors are no longer opening and closing properly as a result of their being installed improperly by the builder. Would Judy be able to make a claim under the Tarion Warranty Protection Program for this problem?

- a. No, there would be no coverage as Judy was not the original owner of the property.
- b. Yes this problem would be covered by the two year warranty protection program.
- c. No this problem would only be covered by the seven year warranty protection program.
- d. Yes this problem would be covered by the seven year warranty protection program.

29. Which of the following situations must be reported by a registrant to FINTRAC?

- I. \$5000 in cash is handed over by a buyer client to a salesperson as a deposit for an offer on a property.

- II. A buyer client gives a \$6000 cash deposit to a salesperson at 4pm on April 3<sup>rd</sup> and then another \$7000 in cash as a further deposit at 9pm on April 4<sup>th</sup>.
- III. \$11000 in cash is handed over by a buyer customer to the salesperson working with them as a deposit for an offer on a property.
- IV. A \$20000 uncertified cheque is handed over by a buyer client to their salesperson as a deposit for an offer on a property.
- I, II, and III only
  - I, III and IV only
  - II and III only
  - III and IV only
30. Registrants should ensure that all registered owners names appear on the Agreement of Purchase and Sale and that they all sign the Agreement. Which of the following statements is correct as it related to owners and signatures?
- When dealing with a corporation, in lieu of a seal, the person signing the offer should have signing authority and beside their signature, they should write 'I have the authority to bind the corporation'.
  - When dealing with an estate where there is more than one trustee, only one trustee's signature is required on an Agreement to make it valid and enforceable.
  - A power of attorney to sign for the owner of a property can be verbal rather than written if the person appointed as the power of attorney is a relative or the lawyer of the owner.
  - All persons who have an interest in a property must be shown as owners on the Agreement of Purchase and Sale.
31. John has successfully passed the 80 hour course 3 General and Advanced Residential exam and has submitted his application to RECO. He intends to work as a full time salesperson with ABC Realty Inc and is now waiting to obtain confirmation from RECO. Which of the following activities can John get involved in while he is waiting for his registration?
- Build a database of potential clients from his list of friends, acquaintances and business contacts.
  - Call friends, acquaintances and business contracts to ask them if they are interested in selling their homes.
  - Develop his marketing material and then send fliers marketing himself to his friends, acquaintances and business clients.
  - Assist at an open house for the public with another salesperson from ABC Realty Inc to get a feel for the business.
32. A mortgage is in default. What would most likely be the reason why a lender would choose a power of sale as the remedy for the default?
- Because the borrower prefers power of sale over foreclosure.
  - Because there is no need to obtain possession of the property when using a power of sale.
  - Because the amount of the mortgage is small in comparison to the value of the property.
  - Because it is relatively inexpensive and the most fair to the mortgagor.
33. An environmental contractor who is working on remedial steps and costs associated with the process is performing which of the following stages of environmental audit?
- Phase 1
  - Phase 2
  - Phase 3
  - Phase 4
34. Which of the following statements is correct regarding a stigmatized property?
- The value is likely to increase due to stigma associated with the property.
  - Stigma typically reflects real risk to the buyer as opposed to a perceived risk.
  - Stigma can remain as such for many years, particularly given the widespread media coverage and associated notoriety.
  - Stigma can never be remedied.
35. Developer Andrew is planning to renovate an existing old factory and convert it into condominium lofts. The property, in addition to a factory, contains eight existing row houses which will be retained, renovated and sold as condominium townhouses within the same development. Will Tarion warranty cover Andrew's project if he is a registered builder with Tarion?
- Yes, because Andrew is a registered builder.
  - No, because the condominium units are not new but only renovated.
  - No, because the Tarion does not cover any property that was previously being used as a factory.
  - Yes, because the property will be registered as a new condominium.
36. Farms are typically divided into various types. Which of the following is not one of them?
- Viable farm

- b. Cash crop farm
  - c. Special purpose farm
  - d. Livestock farm
37. A disturbance resulting in a complaint for the purposes of a hearing before the Normal Farm Practices Board:
- a. Could include odour, dust and flies, but not noise.
  - b. Would exclude mechanical vibrations emitted due to farming operation.
  - c. Might involve an agricultural operation that specializes in beekeeping.
  - d. Would typically exclude any complaints that involve smoke.
38. Which of the following statements is correct regarding vacant land?
- a. b. A vacant parcel of land which has not yet been severed cannot be offered for sale until such severance is approved.
  - b. The only ongoing expense related to holding a vacant parcel of land would be mortgage payments and property taxes.
  - c. The cost of providing hydro services to a vacant parcel of land is always paid by the seller when such unserviced land is sold.
  - d. Vacant land can involve long holding period before realizing any return.
39. Which of the following statements are true about heritage property designation?
- a. The heritage status may restrict internal or external changes to the structure.
  - b. Insurance is never available for such properties given their designation.
  - c. Local Municipal Heritage Committee is appointed by the Ministry of Municipal Affairs and Housing to grant approvals for alterations or renovations of heritage properties.
  - d. An owner still enjoys all the rights of fee simple ownership even if the property is designated as heritage property.
40. The Chattels Included and Fixtures Excluded clauses are for protecting the best interests of the buyers and well as sellers. If you were working with the buyer and preparing the Agreement of Purchase and Sale and, there are certain built-in items that do not seem to fit in any of the two categories, what would you do?
- a. Include the items in the agreement so that there is no confusion at a later date.
  - b. Leave the clauses blank so that the seller and buyer may decide among themselves.
  - c. Ask the sellers and buyers to take advice from their respective lawyers.
  - d. Leave the Chattels Included clause blank because these built-in chattels are always deemed to be included in the sale.
41. What is the purpose of the reserve fund in a condominium?
- a. It is used to pay for the regular maintenance of the common elements.
  - b. It is used to offset the payments of unit owners who default on monthly common expenses.
  - c. It is used to bring a unit owners defaulted mortgage into good standing to avoid the possibility of the building being sold under power of sale
  - d. It is used for major repairs and replacement of common elements and corporation assets.
42. Which of the following statements is correct with respect to a condominium?
- a. The condominium act creates the legal framework for registering a deed for a unit in a multiple unit building.
  - b. The purpose of the condominium corporation is to hold legal title to the units on behalf of the owners.
  - c. The condominium is created by the registration of the condominium declaration and description.
  - d. Buyers of both new and resale units are allowed a 10 day period to cancel their purchase.

#### **Case Study**

Ben and Ellen O'Leary and their two young daughters have recently moved into town and have signed an offer to lease a house at 147 Edgeware Road for one year, commencing Feb 1<sup>st</sup>. When the offer is presented to the owners, they are satisfied with all of the terms but make a counter offer to the O'Leary's in which they include a no pet clause because they are concerned about any possible damage being done to their property by a pet. The O'Leary's have no pets and do not object to the clause being included. As a result, they accept the counter offer, sign a lease with the owners and move into 147 Edgeware road on Feb. 1<sup>st</sup>.

43. It is now the 15<sup>th</sup> of June and the O'Leary's have bought a dog for their daughters. The owners have found out and are furious. They remind the O'Leary's of the no pet clause in the lease and demand that they get rid of the dog. According to the Residential Tenancies Act, can the owners legally enforce their demand that the dog be removed from the home?

- a. Yes, the O'Leary's are bound by their lease which has a no pet provision and must remove the dog.
- b. No the O'Leary's cannot be forced to get rid of the dog. A no pet clause in a lease agreement is void.
- c. Yes the no pet provision is valid because at the time the O'Leary's signed the lease, they did not have a dog.

- d. No a pet clause can only be enforced if they had a pet at the time the lease was signed but neglected to inform the owners of that fact.
44. On the 20<sup>th</sup> of November, the O'Leary's receive a written notice on the approved form by mail from the owners informing them there is going to be an increase in rent starting on the 1<sup>st</sup> of February of next year. Based on the information provided and the provisions of the Residential Tenancies Act, are there any problem with this notice of rent increase?
- No. The notice has been given more than the required 60 days prior to the end of the lease.
  - Yes. The notice must be given to the tenant at least 90 days prior to the end of the lease.
  - No. provided that the amount of rent increase does not exceed what is permitted under the Act, the notice can be given as little as 30 days prior to the end of the lease.
  - Yes. In order to be effective, the written notice must be hand delivered to the tenant at least 60 days prior to the end of the lease.
45. On December 10<sup>th</sup>, the owners decide to sell their property at 147 Edgeware Road and list it with salesperson Ward of ABC Realty Inc. At 3pm on December 14<sup>th</sup>, Ward phones the O'Leary's to tell them that there will be a showing of the property at 8:30 pm on December 15<sup>th</sup>. The O'Leary's are not happy about this. Based on the provisions of the Residential Tenancies Act, do you have any concerns with this showing?
- Yes. The written notice is required for the showing and the showing must take place before 8 pm.
  - No. provided the showing takes place before 9 pm, there is no problem.
  - Yes. The O'Leary's are entitled to quiet enjoyment of the property and showings for sale can only take place at the end of the lease.
  - No. Ward has complied with the Act by giving the tenants 24 hours notice prior to the showing.

#### Case Study

It is the 5<sup>th</sup> of May, 2009 and Sarah Graham, a salesperson with ABC Realty Inc, is preparing an offer on an OREA agreement of Purchase and Sale for a property at 98 Sampson Court for her client, Judy Dempster. The property is listed with XYZ Real Estate Ltd. Judy would like to offer \$215,000 for the property. There is an existing first mortgage with an interest rate of 7% which Judy is willing to assume in order to help the seller avoid a penalty for early discharge of the mortgage. To make the sale more attractive to Judy, the seller is willing to take back a second mortgage for \$25,000 at 5% interest. Judy will be paying the balance of the purchase price from her own resources. The offer is for \$215,000 with a \$10,000 deposit submitted upon acceptance and is conditional until May 11<sup>th</sup> on the buyer being approved to assume the sellers existing first mortgage. The following mortgage clauses appear on Schedule 'A' to the Agreement:

*This offer is conditional upon the Buyer agreeing to assume the existing first Charge/Mortgage held by Lender Inc. for approximately One Hundred and Forty Thousand Dollars (\$140,000), bearing interest at the rate of 8% per annum, calculated semi-annually not in advance, repayable in blended monthly payments of One Thousand and Fifteen Dollars and Sixty Cents (1,015.60), including both principal and interest, and due on the 17<sup>th</sup> of December, 2012. Unless the Buyer gives notice in writing delivered to the seller not later than 6pm on the 11<sup>th</sup> of May, 2009, that this condition is fulfilled, this offer shall be null and void and the deposit shall be returned to the Buyer in full without deduction. The Buyer hereby agrees to proceed immediately to make an application and provide such material as may be required by the Chargee/Mortgagee.*

*The buyer agrees to give and the seller agrees to take back a second Charge/Mortgage in the amount of \$25000 bearing interest at the rate of 5% per annum, calculated semi annually not in advance, repayable in blended monthly payments \$164.28 based on a 20 year amortization, including both principal and interest and to run for a term of five years from the date of completion of this transaction.*

The offer is signed by Judy at 6pm on May 5<sup>th</sup>, is irrevocable until 6pm on May 7<sup>th</sup> and the completion date is set for July 12<sup>th</sup>.

46. How would Sarah Graham have explained the irrevocable time period in Clause 1 of this offer to Judy?
- You are giving the seller until 6pm on the 7<sup>th</sup> of May to accept the offer and for the mortgage condition to be fulfilled.
  - You are giving the seller until 6pm on the 7<sup>th</sup> of May to consider and accept the offer. You are agreeing not to withdraw the offer within that time period.
  - You have been given until 6pm on the 7<sup>th</sup> of May to decide whether you wish to proceed with the offer and after that the seller can accept or reject the offer.
  - You are giving the seller until 6pm on the 7<sup>th</sup> of May to consider and accept the offer. You can withdraw your offer at any time within that time period.

47. Based on the information provided in the scenario, do you have any concerns with the way the first mortgage clause was drafted?

- a. Yes, the assumption of the mortgage should have been conditional upon the mortgagee's approval.
- b. Yes, the first mortgage should contain a postponement clause because the seller is taking back a second mortgage.
- c. No, the offer must be conditional upon the buyer assuming the existing mortgage as mentioned in the scenario.
- d. Yes, a waiver should have been included in the clause because it's a conditional precedent.

### Case Study

Landlord Samson owns a four unit apartment building on a quiet street in Anytown. He lives in one of the 2 bedroom unit and the other three are rented out. Most of his tenants are nice and pay rent on time and abide by verbal rules and regulations that Samson tells them from time to time. Samson has some knowledge of the Residential tenancies act and, generally follows them. Based on this scenario, answer the following three questions.

48. Landlord Samson is always concerned about creditworthiness of tenants in his fourplex apartment building. A tenant who is new in the country approaches Samson for renting his 2 bed room apartment. Since the tenant does not have any credit history in this country, Samson wants to make sure that the tenant does not default on rent payments. Which of the following is a valid option for Samson?

- a. Ask the tenant to provide post-dated cheques for rent for the next one year.
- b. Ask the tenant to bring a guarantor or a co-signer.
- c. Insert a condition of automatic withdrawal of rent from tenant's chequing account.
- d. Ask the tenant to provide six month's rent as security deposit.

49. Two months into the tenancy, one of the tenants brings in a big dog. Samson does not like pets at all in his building.

Which of the following is a valid option for him to terminate the tenancy?

- a. Samson can terminate the tenancy anytime by giving a 120 days notice.
- b. Termination notice can be served to the tenant if the dog is creating significant nuisance in the building.
- c. Samson is not permitted to terminate the tenancy on any grounds.
- d. Samson can serve termination notice to the tenant and the tenant can terminate tenancy within 10 days of receiving the notice.

50. Tenant Brown's lease has already ended with Samson but he is still staying in his 2 bedroom unit. Brown is paying rent and Samson is accepting it. Samson's mother is coming from UK in two months and is planning to live with him. Samson needs to vacate Brown's 2 bedroom unit for his mother. Which of the following is a correct statement regarding termination of tenancy of one of the tenants?

- a. Samson can serve a 60 days notice to Brown to get the unit vacated.
- b. Samson must serve a minimum of 120 days notice to Brown.
- c. Brown can reject Samson's notice because he is paying rent and Samson is willfully accepting it.
- d. Brown can vacate within a week after receiving termination notice from Samson.

### Answers Sample Exam C3 Res 1

1. A	2. D	3. C	4. B	5. C
6. B	7. D	8. B	9. C	10. A
11. D	12. C	13. A	14. B	15. D
16. C	17. C	18. D	19. A	20. A
21. B	22. D	23. D	24. B	25. B
26. A	27. A	28. C	29. C	30. A
31. A	32. D	33. C	34. C	35. B
36. A	37. C	38. A	39. D	40. A
41. D	42. C	43. B	44. B	45. A
46. B	47. A	48. B	49. B	50. A