

Chapter 9: Agency Exam (PSI)

1. A buyer's agent who is calling to set up a showing on a listed property should disclose the fact that she represents the buyer so the listing agent can avoid which of the following?
 - A. Paying a Commission
 - B. Disclosing material facts
 - C. Divulging confidential information**
 - D. A dual agency situation

The listing agent should avoid sharing the seller's confidential information with anyone, but especially a buyer's agent.

2. A licensee acting on behalf of a property owner is best described as which of the following?
 - A. A fiduciary**
 - B. A dual agent
 - C. A ratified agent
 - D. An implied agent

A fiduciary is one whom trust and confidence has been placed and is expected to be extremely loyal to the client, putting the interests of his client above his own interest. A fiduciary has specific responsibilities to his client that can be remembered with the acronym, COLD AC: Care, Obedience, Loyalty, Disclosure, Accountability, and (Reasonable Skill and) Care.

3. A listing agreement between a real estate brokerage firm and a seller is known as what form of agency?
 - A. Special agency**
 - B. Universal agency
 - C. General agency
 - D. Exclusive agency

***Special agency** (also called **specific agency** in some textbooks), which a listing agent has, gives the agent no power to bind the principle/client to a contract. A general agent, such as a property manager, has limited power to binding the principle. Universal agency gives the agent-in-fact (the person holding the power of attorney) unlimited power to bind and act in place of the principle/client.*

4. What is a person who hires or appoints an agent referred to as?

A. A customer

B. A principal

C. An attorney-in-fact

D. A fiduciary

*A person who hires or appoints an agent referred to as a **principal** or **client**.*

5. What obligations does a listing agent owe to an unrepresented buyer?

A. Loyalty and honesty

B. Honesty and fairness

C. Loyalty, fairness, and honesty

D. Fairness only

*If a license is not an AGENT of a buyer, then he or she only owes the unrepresented buyer **honesty and fairness**. The licensee does not owe the unrepresented buyer any of the COLD AC fiduciary responsibilities.*

6. In a single agency relationship, who does a real estate broker represent?

A. Only a buyer or a seller, not both (in the same transaction)

B. Both the buyer and the seller

C. The buyer only

D. The seller only

*In a single agency relationship, the broker is only representing **ONE SIDE** of the transaction, either the buyer or the seller.*

7. The relationship between a real estate agent and his or her client is which of the following?

A. Universal agency

B. General agency

C. A dual agency relationship

D. A fiduciary relationship

Under general agency, such as between a real estate agent and their broker, the agent has limited power to binding the principle (their broker). Special agency (specific agency) gives the agent no power to bind the principle/client to a contract. Universal agency gives

the agent-in-fact (the person holding the power of attorney) unlimited power to bind and act in place of the principle/client.

8. A type of agency in which an agent has legal authority to act in place of the principle is known as what?
- A. Specific agency
 - B. Special agency
 - C. Universal agency**
 - D. General agency

Universal agency gives the agent-in-fact (the person holding the power of attorney) unlimited power (broadest powers) to bind and act in place of the principle/client.

9. In which type of agency (typical in property management agreements) does the agent has limited authority to bind the principal?
- A. Specific agency
 - B. Special agency
 - C. Universal agency
 - D. General agency**

10. When a real estate agent represents more than one party in a transaction and this representation of more than one party is with knowledge and written consent of all parties, which of the following is true?
- A. The real estate agent could have his license revoked
 - B. The real estate agent's action is called dual agency and he could have his license revoked.
 - C. This is referred to as single agency and is a commonly accepted practice.
 - D. The real estate agent's action is called a dual agency.**

11. Which form of agency gives the agent the broadest powers to act for the principal?
- A. Universal agency**
 - B. General agency
 - C. Special agency
 - D. Specific agency

12. Which of the following statements about brokerage operations is correct?
- A. The amount of a broker's commission for the sale of a home is limited by law.
 - B. All agreements among brokers regarding division of Commission must be approved by the real estate Commission.
 - C. A broker may never recover a commission if the contract was accepted after the listing expired.
 - D. An exclusive agency listing permits the owner to sell without being liable for a Commission.

*An **exclusive agency listing** provides that the broker is entitled to a commission if any agent sells the property. This allows the owner to sell the property himself and not be liable for commission. A listing commission paid to a broker is established by negotiation and not limited by law. The broker can receive a commission if he procures the buyer during the listing and the seller accepts the offer or negotiates the sale after the listing expires IF there is a protection clause (safety clause) in the listing.*

13. A broker is entitled to a commission regardless of who sells the property during the listing if he or she has which of the following listing agreements?
- A. Open listing agreement
 - B. Exclusive right-to-sell agreement
 - C. Exclusive agency agreement
 - D. Net listing agreement

*In an **exclusive right-to-sell agreement**, regardless of who procures the buyer, the seller is legally obligated to compensate the broker when the sale of the listed property closes. This type of listing provides the most protection of a commission to a broker.*

14. A broker's listing contract in the form of a letter addressed by the owner to the broker provides that the broker will be paid a commission if within 30 days the real estate property is sold for \$170,000 "by you, by me or by anyone else." Which of the following is correct?
- A. This creates an open listing.
 - B. This does not comply with the statute of frauds.
 - C. This creates an exclusive agency listing.
 - D. This creates an exclusive right-to-sell listing.

*In an **exclusive right-to-sell agreement**, regardless of who procures the buyer, the seller is legally obligated to compensate the broker when the sale of the listed property closes. This type of listing provides the most protection of a commission to a broker.*

15. What is a listing that allows an owner to list concurrently with more than one brokerage firm?
- A. A net listing
 - B. An illegal listing
 - C. An exclusive agency listing
 - D. An open listing

*An **open listing contract** is a type of non-exclusive listing contract in which the seller works with multiple brokers to list the property and only pays a commission to the broker that secures the buyer that ultimately purchases the property.*

16. What is a multiple listing service?
- A. An organization for exchanging information and sharing fees
 - B. An advertising service for listings
 - C. A referral service
 - D. A type of listing

*The answer is **an organization for exchanging information and sharing fees**. The multiple listing service (MLS) allows brokerage firms to exchange property information about listings and sales and share commission fees for the sale of the property.*

17. Which of the following would properly define a multiple listing?
- A. A broker with an exclusive listing that has a contractual obligation to distribute the listing among certain other brokers
 - B. both the broker and the seller have the right to sell the property and the seller is paying a Commission only when the broker is the procuring cause of the sale.
 - C. Two or more owners are involved as principals
 - D. more than two prospective purchasers may view the property before the broker is allowed to present an offer

*A **multiple listing service (MLS)** is an organization of brokers who have agreed to exchange listings. Therefore, a “multiple listing” is a listing for a property for sale on the MLS. Members of the MLS have a contractual obligation to notify the other members of their listings and share commissions accordingly. The listing broker will be paid a commission by the seller when the property is sold and will share the commission with the selling broker (buyer’s broker) if that broker is also a member of the MLS.*

18. If a salesperson for Ready Realty has moved to City Realty, what happens to the listings the salesperson had at Ready Realty?

A. The listings belong and stay with Ready Realty

B. The listings transfer with the salespersons license and now belong to City Realty

C. The listings are void.

D. The listings belong to the salesperson and will transfer to City Realty.

When a seller signs a listing agreement or a buyer signs a buyer agency agreement, they are actually signing an agreement with the broker, NOT the salesperson. This means that all listings and all buyer agency agreements belong to the broker, not the salesperson.

19. If a salesperson wants to show a property twice in one day, the second time the salesperson should?

A. Should call the listing broker again

B. Should call again if she doesn't know the listing agent

C. Must call again only if it is for another buyer

D. Does not need to call again

*The best answer is **should call the listing broker again**. Every listing appointment must be cleared through the listing brokerage firm.*

20. A seller engages a real estate broker to find a buyer ready, willing, and able to purchase the sellers parcel of real property. The seller executes and delivers to the broker an exclusive right-to-sell employment contract (listing contract). A few weeks prior to the expiration date of the employment contract, the seller decides to revoke the contract before any sale occurs in prior to the broker finding a buyer ready, willing, and able to buy the property. In this situation, which of the following is correct?

A. The owner must sell the property at the listed price if the broker finds a buyer ready, willing, and able to buy it the contract price.

B. The owner cannot revoke the contract because it is irrevocable.

C. The owner can revoke this contract and will not be liable for damages to the broker.

D. The owner can revoke this contract but could be liable for damages.

No one can be forced to retain an agent he does not want, or represent a seller he cannot perform loyally for. Therefore, unless the agency is coupled with an interest, either the seller or the broker can terminate the listing agreement at any time. However, if cancelling the listing will cause the broker to suffer a financial loss (perhaps for advertising expenses or other expenses related to the listing that the broker has paid for out-of-pocket), the broker could sue to recover damages (money) for his or her loss.

21. A seller gave two firms an open listing for her home. Firm #1 advertised the property but did not show it to any prospects. Firm #2 showed the property to one prospect, but before the firm #2 obtained an offer, the seller sold the listing to a friend. Which of the following statements is correct?

- A. The seller owes nothing to either firm.
- B. Firm #2 is owed compensation for showing the property.
- C. The seller owes both firms a commission on the sale.
- D. The seller owes firm #1 for the cost of the advertising.

The answer is the seller owes nothing to either firm. Only the party procuring the buyer gets paid in an open listing. The seller owes nothing to either firm.

22. A seller signed an exclusive right-to-sell listing for his residence for a term of six months with a local brokerage firm. The price was set at \$100,000 and the commission rate was to be six percent. During the listing, however, the house was destroyed by a fire. Under these circumstances, which of the following is true?

- A. The listing is still valid for the sale of the land upon which the house was located.
- B. The home insurance company and seller must each pay half of the broker's commission.
- C. The brokerage firm is entitled to a commission.

D. The brokerage firm is not entitled to a commission, and the listing is terminated.

Real estate listings create employment or personal service contracts, which are terminated by death of the broker or seller, bankruptcy of the broker or seller, destruction of the property, full or specific performance (successfully closing on the property), mutual consent of the broker and seller, or expiration of the listing.

23. Ready Realty has a listed property for the price of \$150,000. A buyer has instructed her agent to submit a written offer of \$135,000. The buyer's agent refuses to submit the offer because he felt it was too low and a waste of his time. All of the following are true about this situation EXCEPT?

- A. The buyer's agent is subject to disciplinary action by the real estate commission.
- B. Agents are only required to submit offers they believe will be accepted.
- C. The buyer's agent did a disservice to the seller.
- D. The buyer's agent failed in his duties to his principle.

All agents must submit all written offers made by a buyer to a seller be in breach of their representation contract and license law. This broker did not give the seller an opportunity to negotiate a better offer.

24. All of the following are true of an exclusive agency listing contract EXCEPT?

- A. It always requires paying a commission.
- B. It is a bilateral, express contract.
- C. It must be in writing to be enforceable.
- D. It must have an expiration date.

*In an **exclusive agency listing**, the listing broker will only receive a commission payment if only he procures the buyer that ultimately purchases the listing. If the seller procures a buyer by himself, then the broker is not owed a commission. All of the other answer choices are true about exclusive agency listings.*

25. All of the following are true of an exclusive agency listing contract EXCEPT?

- A. The listing must be in writing.
- B. There must be a definite expiration date of the listing contract.
- C. The owner must pay the brokerage firm or commission if anyone other than the owner sells the property.
- D. The owner must pay a commission if the property is sold directly by the owner.

*In an **exclusive agency listing**, the listing broker will only receive a commission payment if only he procures the buyer that ultimately purchases the listing. If the seller procures a buyer by himself, then the broker is not owed a commission. All of the other answer choices are true about exclusive agency listings.*

26. All of the following would terminate a listing EXCEPT?

- A. Death of the listing salesperson
- B. Destruction of the property by a tornado
- C. Bankruptcy of the listing broker
- D. expiration of the listing contract

When a seller signs a listing agreement or a buyer signs a buyer agency agreement, they are actually signing an agreement with the broker, NOT the salesperson. This means that all listings and all buyer agency agreements belong to the broker, not the salesperson. So, if a salesperson were to die, the listing would not be terminated.

27. All of the following apply to exclusive listing contracts EXCEPT?

A. Bilateral

B. Unilateral

C. Express

D. Terminated upon death of the principal

Exclusive listing contracts are bilateral (between two or more parties), express (in writing with clear obligations and expectations of all parties involved) and will terminate upon the death of the seller.

28. If a brokerage produces a ready, willing, and able buyer at the seller's terms and the seller refuses to sell, what is the status of the commission fee for the broker?

A. The commission must be negotiated.

B. The commission fee is earned by the broker.

C. The commission fee is paid by the buyer.

D. The commission fee is not earned.

Technically a commission has been earned when a ready willing and able buyer at the listing seller's listing terms is found. However, in the real world, usually the listing brokerage must also have an accepted sales contract to earn the commission without having to sue the seller for the earned commission.

29. If a sell fails to close because of a failure on the buyer's part, what happens to the listing broker's commission?

A. The Commission fee is not earned

B. The Commission fee is paid by the buyer

C. The Commission fee must be awarded by the court.

D. The Commission fee is paid by the seller

Technically a commission has been earned when a ready willing and able buyer at the listing seller's listing terms is found. If the buyer cannot close the deal, then he is not considered to be "able," and the broker has not fulfilled the terms of the listing contract.

30. Which of the following is true regarding an agency listing agreement between the owner of real property and the real estate broker?
- A. It should contain all the responsibilities of both the broker and the owner.
 - B. It creates a fiduciary relationship.
 - C. It is an employment contract, employing the broker to secure a buyer.
 - D. All of these answers are correct.

31. Membership and admittance to a multiple listing service (MLS) is advantageous to which individuals?
- A. Sellers, buyers, and brokers
 - B. Buyers only
 - C. Brokers only
 - D. Sellers only

A multiple listing service (MLS) is an organization of brokers who have agreed to exchange listings. While its existence benefits brokers, buyers and sellers, only brokers can be have membership and admittance to a MLS.

32. Who determines the length of a safety clause in a listing agreement?
- A. It is negotiated between the seller and the broker.
 - B. The Real Estate Commission.
 - C. State law
 - D. Local ordinances

A safety clause (protection clause) is a clause in a listing agreement that entitles the real estate broker or agent to a commission after the listing expires or is canceled. A safety clause is designed to ensure that a broker receives fair compensation for their work and to prevent collusion between buyers and sellers. The safety clause, like all other items in the listing agreement, is negotiated between the broker and the seller. The length of the safety clause is not regulated by law or by the Real Estate Commission.

33. The principal broker at Ready Realty has told her salespeople to always sign listing contracts that give the firm the most protection. In this case, what type of listings should the salespeople be using?
- A. Exclusive agency listings
 - B. Open listings
 - C. Exclusive right-to-sell listings
 - D. Net listings

*In an **exclusive right-to-sell agreement**, regardless of who procures the buyer, the seller is legally obligated to compensate the broker when the sale of the listed property closes. This type of listing provides the most protection of a commission to a broker.*

34. What type of listing allows more than one brokerage firm to list the property?
- A. Open listing
 - B. Exclusive right-to-sell listing
 - C. Exclusive agency listing
 - D. Non-exclusive listing

35. To be enforceable, a listing agreement must be which of the following?
- A. Dated when signed
 - B. Contain automatic extensions
 - C. Written
 - D. Written or oral

36. To earn a commission, a listing broker with an exclusive listing must procure a ready, willing, and able buyer that meet the seller's listing terms and do which of the following?
- A. Arrange financing
 - B. Nothing else is required
 - C. Close the sale
 - D. Demonstrate procuring cause

Technically a commission has been earned when a ready willing and able buyer at the listing seller's listing terms is found. However, in the real world, usually the listing brokerage must also have an accepted sales contract to earn the commission without having to sue the seller for the earned commission.