

Real Estate Principles: A Value Approach, 5e (Ling)
Chapter 2 Legal Foundations to Value

1) A principal definition of real estate is as a bundle of rights associated with the possession, use, and disposition of property. Each of the following is a fundamental characteristic of property rights *except*

- A) they are enforceable by the government.
- B) they apply only to tangible assets.
- C) they are nonrevocable.
- D) they are enduring.

Answer: B

Difficulty: 1 Easy

Learning Objective: 02-01 List three characteristics of rights that distinguish them from permission and power, list three components of property rights, distinguish between real and personal property, and define a fixture.

Accessibility: Keyboard Navigation

2) Property rights can be divided into two classes, real and personal. Which of the following is an example of real property?

- A) vehicles
- B) stocks and bonds
- C) patents
- D) commercial building

Answer: D

Difficulty: 1 Easy

Learning Objective: 02-01 List three characteristics of rights that distinguish them from permission and power, list three components of property rights, distinguish between real and personal property, and define a fixture.

Accessibility: Keyboard Navigation

3) A fixture is an object that formerly was personal property but has become real property. Of the following four rules for determining whether an object has become a fixture, which is the most dominant (i.e., if there is a conflict, which rule prevails)?

- A) manner of the attachment
- B) character of the article and manner of adaptation
- C) intention of the parties
- D) relation of the parties

Answer: C

Difficulty: 2 Medium

Learning Objective: 02-01 List three characteristics of rights that distinguish them from permission and power, list three components of property rights, distinguish between real and personal property, and define a fixture.

Accessibility: Keyboard Navigation

4) Based on your understanding of the rules for determining when an object becomes a fixture, which of the following items would most likely be considered a fixture at the time of sale?

- A) custom (built-in) bookshelves
- B) refrigerator in a single-family residence being sold
- C) fence installed by the tenant of a rental property
- D) curtains

Answer: A

Difficulty: 2 Medium

Learning Objective: 02-01 List three characteristics of rights that distinguish them from permission and power, list three components of property rights, distinguish between real and personal property, and define a fixture.

Accessibility: Keyboard Navigation

5) Property rights can be dismantled into lesser bundles, referred to as interests, which can then be held by different individuals. Interests in real property that include possessions are referred to as

- A) fixtures.
- B) townships.
- C) licenses.
- D) estates.

Answer: D

Difficulty: 1 Easy

Learning Objective: 02-02 State the distinguishing characteristic of an estate, list three types of freehold estates, and distinguish a freehold estate from a leasehold.

Accessibility: Keyboard Navigation

6) Which of the following types of ownership estates is the most complete bundle of rights, and therefore carries the greatest value?

- A) fee simple absolute
- B) fee simple conditional
- C) ordinary life estate
- D) legal life estate

Answer: A

Difficulty: 2 Medium

Learning Objective: 02-02 State the distinguishing characteristic of an estate, list three types of freehold estates, and distinguish a freehold estate from a leasehold.

Accessibility: Keyboard Navigation

7) Suppose an older homeowner lives adjacent to an expanding university that is interested in acquiring her residence for future university use. To allow the homeowner to continue to retain all rights of exclusive possession, use, and enjoyment during her lifetime, yet provide the university with the right of disposition, the university may want to purchase a(n)

- A) legal life estate with remainder interest.
- B) conditional fee absolute with reverter interest.
- C) ordinary life estate with remainder interest.
- D) tenancy for years.

Answer: C

Difficulty: 3 Hard

Learning Objective: 02-02 State the distinguishing characteristic of an estate, list three types of freehold estates, and distinguish a freehold estate from a leasehold.

Accessibility: Keyboard Navigation

8) While leasehold interests are considered estates, they differ from freehold estates in all of the following respects *except*

- A) leasehold estates are limited in time.
- B) the right of disposition is diminished with a leasehold estate.
- C) leasehold estates are not titled interests.
- D) leasehold estates are possessory interests.

Answer: D

Difficulty: 2 Medium

Learning Objective: 02-02 State the distinguishing characteristic of an estate, list three types of freehold estates, and distinguish a freehold estate from a leasehold.

Accessibility: Keyboard Navigation

9) Nonpossessory interests (i.e., bundles of real property rights that do not include possession) include all of the following *except*

- A) easements.
- B) restrictive covenants.
- C) liens.
- D) leasehold interests.

Answer: A

Difficulty: 2 Medium

Learning Objective: 02-03 Define an easement, distinguish it from a license, distinguish two basic types of easements, and identify four examples of each.

Accessibility: Keyboard Navigation

10) An easement is the right to use land for a specific and limited purpose. Which of the following easements involves a relationship between two parcels of land, is a permanent feature of both parcels involved, and gives the dominant parcel some intrusive use of the servient parcel?

- A) affirmative easement appurtenant
- B) negative easement appurtenant
- C) easement in gross
- D) license

Answer: A

Difficulty: 1 Easy

Learning Objective: 02-03 Define an easement, distinguish it from a license, distinguish two basic types of easements, and identify four examples of each.

Accessibility: Keyboard Navigation

11) Which of the following is an example of a negative easement appurtenant?

- A) a driveway easement across one parcel to another
- B) rights-of-way for roads
- C) a common drive easement where owners of adjoining lots must permit each other to use a driveway lying on their shared property line
- D) a scenic easement used to restrict construction on adjacent parcels so as to preserve a valued view

Answer: D

Difficulty: 2 Medium

Learning Objective: 02-03 Define an easement, distinguish it from a license, distinguish two basic types of easements, and identify four examples of each.

Accessibility: Keyboard Navigation

12) An important distinction both practically and conceptually is the difference between an easement and a license. All of the following characteristics pertain to a license *except*

- A) a license is revocable by the grantor.
- B) a license can be granted orally.
- C) a license is enduring.
- D) a license grants *permission* to use another's land for a specific and limited purpose.

Answer: C

Difficulty: 1 Easy

Learning Objective: 02-03 Define an easement, distinguish it from a license, distinguish two basic types of easements, and identify four examples of each.

Accessibility: Keyboard Navigation

13) A lien is an interest in real property that serves as security for an obligation. Which of the following is an example of a general lien?

- A) property tax and assessment lien
- B) mortgage lien
- C) lien arising from a court judgment unrelated to ownership of the property
- D) mechanics' lien

Answer: C

Difficulty: 2 Medium

Learning Objective: 02-05 List one type of general lien and three types of specific liens, list two factors that determine priority among liens, and state the significance of priority.

Accessibility: Keyboard Navigation

14) Which of the following types of liens is automatically superior to any other lien?

- A) property tax and assessment lien
- B) mortgage lien
- C) lien arising from a court judgment unrelated to ownership of the property
- D) mechanics' lien

Answer: A

Difficulty: 2 Medium

Learning Objective: 02-05 List one type of general lien and three types of specific liens, list two factors that determine priority among liens, and state the significance of priority.

Accessibility: Keyboard Navigation

15) Co-ownership can occur in a variety of ways, with significant variation in how the bundle of rights is jointly held. All of the following entities are forms of direct co-ownership *except*

- A) tenancy in common.
- B) tenancy by the entirety.
- C) condominium.
- D) partnership.

Answer: D

Difficulty: 1 Easy

Learning Objective: 02-06 List the features that distinguish these forms of ownership: tenancy in common, joint tenancy, tenancy by the entireties, condominium, and cooperative.

Accessibility: Keyboard Navigation

16) Direct co-ownership implies that each co-owner holds a titled interest in the property but without exclusive possession with respect to the other co-owners. Which of the following types of direct co-ownership is considered the closest to the fee simple absolute estate?

- A) tenancy in common
- B) tenancy by the entirety
- C) condominium
- D) tenancy at will

Answer: A

Difficulty: 2 Medium

Learning Objective: 02-06 List the features that distinguish these forms of ownership: tenancy in common, joint tenancy, tenancy by the entireties, condominium, and cooperative.

Accessibility: Keyboard Navigation

17) Which of the following types of direct co-ownership is a form of joint tenancy for husband and wife created by marriage that protects each spouse from liens arising from either spouse alone?

- A) tenancy in common
- B) tenancy by the entirety
- C) condominium
- D) tenancy at will

Answer: B

Difficulty: 1 Easy

Learning Objective: 02-06 List the features that distinguish these forms of ownership: tenancy in common, joint tenancy, tenancy by the entireties, condominium, and cooperative.

Accessibility: Keyboard Navigation

18) Which of the following types of direct co-ownership combines single person ownership with tenancy in common?

- A) cooperative
- B) tenancy by the entirety
- C) condominium
- D) partnership

Answer: C

Difficulty: 1 Easy

Learning Objective: 02-06 List the features that distinguish these forms of ownership: tenancy in common, joint tenancy, tenancy by the entireties, condominium, and cooperative.

Accessibility: Keyboard Navigation

- 19) Which of the following forms of co-ownership, historically used for apartment buildings, is not considered a form of true direct co-ownership but rather qualifies as a proprietary corporation?
- A) cooperative
 - B) tenancy by the entirety
 - C) condominium
 - D) partnership

Answer: A

Difficulty: 1 Easy

Learning Objective: 02-06 List the features that distinguish these forms of ownership: tenancy in common, joint tenancy, tenancy by the entireties, condominium, and cooperative.

Accessibility: Keyboard Navigation

- 20) Property rights created from marriage have a clear implication for real estate transactions. Which of the following marital property rights gives a spouse a one-half claim on all property acquired "from the fruits of the marriage"?
- A) dower
 - B) curtesy
 - C) elective share
 - D) community property

Answer: D

Difficulty: 1 Easy

Learning Objective: 02-07 Distinguish among the provisions of dower, elective share, and community property for the distribution of property between husband and wife.

Accessibility: Keyboard Navigation

- 21) Restrictive covenants impose constraints on the use of the land, yet are limited in terms of their enforcement. All of the following are true regarding the enforcement of restrictive covenants *except*
- A) courts have been reluctant to maintain restrictive covenants for an unreasonably long time and in some cases states have enacted a time limit on their applicability.
 - B) courts may refuse to enforce restrictive covenants due to changing neighborhood character.
 - C) courts may refuse to enforce restrictive covenants due to abandonment of the property.
 - D) restrictive covenants are public in nature and therefore can be enforced by those who do not hold a legal interest in the property.

Answer: D

Difficulty: 3 Hard

Learning Objective: 02-04 Define a restrictive covenant, state who can enforce it and how, and list five ways that restrictive covenants can become unenforceable.

Accessibility: Keyboard Navigation

22) When multiple individuals have use of a property, but their interests are not simultaneous, this type of co-ownership is referred to as a

- A) cooperative.
- B) tenancy by the entirety.
- C) condominium.
- D) timeshare.

Answer: D

Difficulty: 1 Easy

Learning Objective: 02-08 List three common levels of timeshare claims, and identify what is most important to evaluate a timeshare plan.

Accessibility: Keyboard Navigation

23) In some states, mining companies are deemed to own not only the minerals but also the space the minerals occupied before they were removed, thereby earning the distinction of ownership states. However, when the owner of an oil or gas well is able to claim all that is pumped from it, regardless of whether the oil or gas migrated from adjacent property, this is referred to as a _____ state.

- A) manner of attachment
- B) law of capture
- C) intention of the parties
- D) relation of the parties

Answer: B

Difficulty: 3 Hard

Learning Objective: 02-01 List three characteristics of rights that distinguish them from permission and power, list three components of property rights, distinguish between real and personal property, and define a fixture.

Accessibility: Keyboard Navigation

24) Bill and Mike go in together to purchase 342 acres of land to use for hunting and family vacations. Ten years later, Bill dies and Bill's wife wants to sell his half of the land. Mike informs her that, unfortunately, she has no claim to the land and that upon Bill's death, his ownership interest transferred to Mike. What type of co-ownership did Bill and Mike have?

- A) tenancy by the entireties
- B) tenancy in common
- C) joint tenancy
- D) condominium

Answer: C

Difficulty: 3 Hard

Learning Objective: 02-06 List the features that distinguish these forms of ownership: tenancy in common, joint tenancy, tenancy by the entireties, condominium, and cooperative.

Accessibility: Keyboard Navigation

25) The City of Grand Rapids installed a new water main on Oak Street. The city then decided to charge the property owners along Oak Street a proportional cost of the new water main. If a property owner refuses to pay his or her proportional share of the cost, the city may file a(n)

- A) property tax lien.
- B) assessment lien.
- C) general lien.
- D) mechanics' lien.

Answer: B

Difficulty: 3 Hard

Learning Objective: 02-05 List one type of general lien and three types of specific liens, list two factors that determine priority among liens, and state the significance of priority.

Accessibility: Keyboard Navigation

26) Jeff owns 150 acres between a highway and a public beach. The state would like to build a road directly from the highway to the beach across a number of beachfront properties including Jeff's. The space for this road would be considered a(n)

- A) implied easement.
- B) easement in gross.
- C) negative easement appurtenant.
- D) positive easement appurtenant.

Answer: B

Difficulty: 3 Hard

Learning Objective: 02-03 Define an easement, distinguish it from a license, distinguish two basic types of easements, and identify four examples of each.

Accessibility: Keyboard Navigation

27) Brian just began graduate school at the local university and is looking to rent an apartment. A family friend has decided to lease him a two-bedroom, one-bathroom cottage through an oral agreement with no definite lease period outlined. Which of the following leasehold estates *best* describes Brian's situation?

- A) tenancy for years
- B) tenancy at sufferance
- C) periodic tenancy
- D) tenancy by the entirety

Answer: C

Difficulty: 3 Hard

Learning Objective: 02-06 List the features that distinguish these forms of ownership: tenancy in common, joint tenancy, tenancy by the entireties, condominium, and cooperative.

Accessibility: Keyboard Navigation

28) Tom recently purchased a home in a residential subdivision. While mowing his lawn and planting new shrubs for the first time since moving in, Tom's neighbor came outside to inform him that he was violating one of the subdivision's rules which required the use of a specific professional lawn service for all property landscaping needs. Assuming this requirement can be enforced by the subdivision authority, this would be an example of a(n)

- A) easement.
- B) restrictive covenant.
- C) lien.
- D) estate.

Answer: B

Difficulty: 3 Hard

Learning Objective: 02-04 Define a restrictive covenant, state who can enforce it and how, and list five ways that restrictive covenants can become unenforceable.

Accessibility: Keyboard Navigation

29) When identifying an easement appurtenant, the parcel of land that benefits from the right to use the land in question is referred to as the

- A) dominant parcel.
- B) servient parcel.
- C) licensed parcel.
- D) gross parcel.

Answer: A

Difficulty: 1 Easy

Learning Objective: 02-03 Define an easement, distinguish it from a license, distinguish two basic types of easements, and identify four examples of each.

Accessibility: Keyboard Navigation

30) Real estate can be viewed as a bundle of rights. How these bundles of rights are grouped together determines the type of ownership interest an individual (or group of individuals) can stake claim to. In an ordinary life estate with remainder interests, which of the following rights is detached from the traditional bundle of rights that typically defines a fee simple absolute interest?

- A) possession
- B) use
- C) disposition
- D) enjoyment

Answer: C

Difficulty: 2 Medium

Learning Objective: 02-02 State the distinguishing characteristic of an estate, list three types of freehold estates, and distinguish a freehold estate from a leasehold.

Accessibility: Keyboard Navigation

31) Which of the following types of estates involves the weakest bundle of rights?

- A) fee simple absolute
- B) legal life estate
- C) ordinary life estate
- D) tenancy at will

Answer: D

Difficulty: 2 Medium

Learning Objective: 02-02 State the distinguishing characteristic of an estate, list three types of freehold estates, and distinguish a freehold estate from a leasehold.

Accessibility: Keyboard Navigation

32) The distinctive feature of a joint tenancy is the right of

- A) survivorship.
- B) community property.
- C) separate property.
- D) cooperation.

Answer: A

Difficulty: 1 Easy

Learning Objective: 02-06 List the features that distinguish these forms of ownership: tenancy in common, joint tenancy, tenancy by the entireties, condominium, and cooperative.

Accessibility: Keyboard Navigation

33) Since an easement is a nonpossessory interest, it is important to understand the right of disposition that is associated with it. In which of the following types of easements is the right of disposition claimed as part of the easement?

- A) implied easement
- B) easement in gross
- C) negative easement appurtenant
- D) positive easement appurtenant

Answer: B

Difficulty: 3 Hard

Learning Objective: 02-03 Define an easement, distinguish it from a license, distinguish two basic types of easements, and identify four examples of each.

Accessibility: Keyboard Navigation

34) Requirements to create a joint tenancy are quite restrictive. They require the presence of the "four unities," which include all of the following *except*

- A) condition.
- B) title.
- C) interest.
- D) possession.

Answer: A

Difficulty: 2 Medium

Learning Objective: 02-06 List the features that distinguish these forms of ownership: tenancy in common, joint tenancy, tenancy by the entirety, condominium, and cooperative.

Accessibility: Keyboard Navigation

35) Which of the following is an example of an affirmative easement appurtenant?

- A) a driveway easement across one parcel to another
- B) a sunlight easement
- C) right of way for a railroad
- D) conservation easement

Answer: A

Difficulty: 2 Medium

Learning Objective: 02-03 Define an easement, distinguish it from a license, distinguish two basic types of easements, and identify four examples of each.

Accessibility: Keyboard Navigation

36) Which of the following leasehold estates best describes the situation in which a tenant who previously occupied a property under a legitimate leasehold interest refuses to vacate?

- A) tenancy for years
- B) tenancy at will
- C) periodic tenancy
- D) tenancy at sufferance

Answer: D

Difficulty: 1 Easy

Learning Objective: 02-02 State the distinguishing characteristic of an estate, list three types of freehold estates, and distinguish a freehold estate from a leasehold.

Accessibility: Keyboard Navigation