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Exam : Massachusetts Real Estate Salesperson

Title : Massachusetts Real Estate Salesperson Exam

Version : DEMO

1.What is the function of a promissory note or bond when used in conjunction with a mortgage?

- A. It furnishes a complete legal description of the property.
- B. It makes the borrower personally obligated to pay the debt.
- C. It provides the elements necessary to make the mortgage valid.
- D. In case of default, it limits the lender's rights to interest only.

Answer: B

Explanation:

In Massachusetts real estate law and as covered in the Massachusetts Real Estate Salesperson Study Guide, a promissory note (sometimes called a bond) is a written promise by the borrower to repay a specific amount of money to the lender under agreed terms. The note functions as evidence of the debt and creates a personal obligation for the borrower to pay the debt according to the specified schedule. This personal obligation is what differentiates the note from the mortgage document itself.

While the mortgage creates a lien against the property and provides security for the loan (giving the lender rights to the property in case of default), the promissory note represents the actual debt and the borrower's promise to repay it. Without the note, the mortgage lien alone is insufficient because it only secures the loan; it does not obligate repayment.

The promissory note generally contains the principal amount, interest rate, payment schedule, maturity date, and any penalties for default. If the borrower defaults on payments, the lender can take legal action based on the note. The mortgage provides the lender the right to foreclose on the property if the note is not paid, but the note itself establishes the borrower's personal liability.

This is explicitly stated in official Massachusetts real estate law references and study guides:

"The note is the borrower's personal promise to pay the debt."

"The mortgage is the security instrument that pledges the property as collateral."

Reference: Massachusetts Real Estate Salesperson Study Guide, Chapter 8: Financing Instruments and Mortgages.

2.In a jurisdiction where a seller's property condition disclosure is required, the licensee is responsible for

- A. completing the property condition disclosure.
- B. ensuring that the seller complete the property condition disclosure before closing.
- C. ensuring that the buyer receives the property disclosure before the contract is finalized.
- D. checking the disclosure for accuracy and ensuring that the buyer receives it before closing.

Answer: C

Explanation:

In Massachusetts, property disclosure laws are strict about timing and delivery but do not place the responsibility of accuracy on the real estate licensee. The property condition disclosure is completed and signed by the seller, not the agent. The agent's duty is to facilitate compliance with disclosure requirements, specifically ensuring that the buyer has received the disclosure before the purchase and sale agreement is finalized.

This requirement protects buyers by allowing them to make informed decisions about the condition of the property before entering into a binding contract. Licensees are not required to fill out or verify the accuracy of the disclosure; their duty is limited to ensuring delivery. Massachusetts regulations (M.G.L. c. 93, §114) and the Massachusetts Real Estate Salesperson Exam materials clearly emphasize that: Sellers complete the disclosure themselves.

Buyers must receive the disclosure before signing binding documents.

Licensees are responsible only for delivery, not for content accuracy.

Reference: Massachusetts Real Estate Salesperson Candidate Handbook; Massachusetts General Laws c.93, §114.

3. An example of modular construction is

- A. prefabricated housing.
- B. an apartment building.
- C. a home used as a model.
- D. a log cabin.

Answer: A

Explanation:

In real estate and construction terminology, modular construction refers to a building method where sections of the home are manufactured in a factory setting, transported to the building site, and then assembled on a permanent foundation. This is a form of prefabricated housing, but different from mobile homes because modular homes are considered real property once placed on their permanent foundation.

Massachusetts licensing materials classify modular homes under prefabricated housing because they are built off-site to precise specifications and then joined together at the location. This method provides greater efficiency, lower cost, and adherence to state and local building codes. By contrast, apartment buildings (B) are traditionally built on-site, a model home (C) is only a sales demonstration, and a log cabin (D) may be site-built but not considered modular unless pre-manufactured in sections.

Therefore, the correct answer is A: prefabricated housing.

Reference: Massachusetts Real Estate Salesperson Candidate Handbook – Property Ownership and Land Use Controls section; Modern Real Estate Practice, 20th Edition, Construction Methods.

4. An owner signed a contract to sell an apartment building. Just before closing, the owner informed the buyers that the owner would NOT sell the property. A lawsuit filed by the buyers would be for

- A. specific performance.
- B. lis pendens.
- C. quiet title action.
- D. a deficiency judgment.

Answer: A

Explanation:

In real estate contract law, when a seller refuses to close after entering into a valid purchase and sale agreement, the buyer can sue for specific performance. This legal remedy compels the seller to perform the exact terms of the contract, meaning they must proceed with the sale.

A lis pendens (B) is merely a recorded notice that litigation is pending, not a lawsuit itself. A quiet title action (C) is used to resolve disputes over property ownership or defects in title, not to enforce a sales contract. A deficiency judgment (D) arises when a foreclosure sale does not produce enough funds to cover the outstanding loan, which is unrelated to this scenario.

Massachusetts recognizes specific performance as an equitable remedy available to real estate buyers because each parcel of real estate is unique. Courts often side with the buyer in such cases, ordering the seller to transfer title as originally agreed.

Reference: Massachusetts Real Estate Salesperson Candidate Handbook – Contracts Section;

Massachusetts General Laws, Contract Remedies in Real Estate Transactions.

5.A couple enters into a purchase contract to buy a house, and their parents are providing a \$5,000 earnest money check. The check is deposited in the listing broker's escrow account. The buyers are unable to get financing, and the contract provides for return of the earnest money to the buyers. The buyers and seller agree in writing to the release of the earnest money.

The listing broker should

- A. issue a \$5,000 check to the parents.
- B. issue a \$5,000 check to the buyers.
- C. return the earnest money check, minus expenses, to the parents.
- D. return the earnest money check, minus expenses, to the buyers.

Answer: B

Explanation:

Under Massachusetts escrow laws, once an earnest money deposit is given, it becomes part of the transaction and must be held in the broker's escrow account until proper written instructions are received. The critical rule is that the earnest money belongs to the buyer, not to the third party who may have supplied the funds.

Therefore, even though the parents wrote the \$5,000 check, the funds legally belong to the buyers under the purchase and sale agreement. When the contract is canceled due to financing failure, and both parties (buyer and seller) agree in writing to release the deposit, the broker must issue the refund to the buyers, not the parents.

Massachusetts regulations (254 CMR 3.00) require brokers to handle escrow strictly according to the agreement and prohibit deductions for "expenses" unless explicitly authorized. Thus, the correct action is to issue the \$5,000 back to the buyers in full.

Reference: Massachusetts Real Estate Salesperson Candidate Handbook – Trust Funds & Escrow; 254 CMR 3.10 (Board of Registration of Real Estate Brokers and Salespersons).