

## Practice Exam #3 – Agents, Appraisers, and the “*New*” Real Estate Market

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**You measured it how?**

**If you provided the number, you are responsible for its accuracy.**

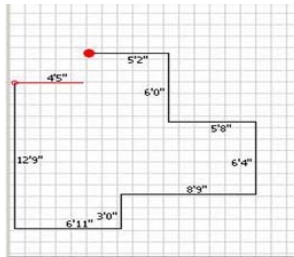
**The disclaimer “deemed reliable but not guaranteed” is NOT going to help you here!**

**Did you bring your checkbook?**

*The number one claim against agents (and appraisers) in most Errors & Omission's Policies is the misrepresentation of residential square footage.*

*Get ready, “size” may change the way we all do business. Navigating this changing real estate market is going to steer the real estate industry towards a national measurement standard. Size Matters and it matters now!*

### QUIZ #3: Navigating the *New Market* - Appraisals



In this new era of real estate, today's agent must know more about appraisers and the appraisal process, and know how to turn low appraisals into closed sales. This new real estate market requires new knowledge. Take this short quiz to find out how well you *measure up* on the *new* appraisal process and the *new* real estate market.

1. The “cost approach” is given more weight in newer (less than five years old) homes and is used for all of the following, ***Except***:
  - A. Support the market value approach
  - B. Estimate replacement costs
  - C. Estimate reproduction costs
  - D. Define specific land/site value
  
2. The principle of \_\_\_\_\_ is the basis for the “Cost Approach.”
  - A. Substitution
  - B. Reproduction
  - C. Replacement
  - D. Anticipation
  
3. The “direct sales approach” or the “market value approach” consists of:
  - A. Using only the average sales price in the immediate neighborhood of the subject property to determine value
  - B. Weighing the comparables and using the one with the highest adjustments
  - C. Selecting the most similar comparables and making the proper adjustments to the comparable sales
  - D. Creating a value based on active listings in the subject's neighborhood

4. The “Site” value typically includes:

- A. Lot size, utilities, and encroachments
- B. Location, lot size, and views
- C. Location, acreage, and zoning with the ETJ
- D. The land and any personal property rights, above and/or below the land

5. The “Income Approach” is typically used only when the subject property will be used:

- A. Security in a blanket loan
- B. For an absentee owner loan
- C. As income producing property
- D. In appraisals where the dwelling is five years old or newer

6. The “Income Approach” is based on the principle of \_\_\_\_\_:

- A. Substitution
- B. Anticipation
- C. Replacement Value
- D. Capitalization

7. \_\_\_\_\_ appeal is not a definable adjustment, but often plays a key role in property valuation:

- A. Location
- B. Curb
- C. Design
- D. Market

8. Computer valuation services will never know:

- A. The age of the comparable properties
- B. The difference in value between the number of bedrooms, bathrooms, or amenities
- C. The difference in land values between properties which are often located on the same street (water/golf front, view, etc.).
- D. Circumstances, property conditions, and motivation of buyer, sellers, and agents

9. Computerized valuation services (AVM's) generally compare property based more on \_\_\_\_\_, rather than \_\_\_\_\_.

- A. Sales price, date closed
- B. Tax records, MLS records
- C. Size and age, Price and sold date
- D. Proximity, Comparability

10. Since the buyer typically pays for the appraisal report, they are:

- A. Entitled to receive a signed copy
- B. The client of the appraiser
- C. Permitted to discuss the details of the report with the appraiser
- D. The only people who get to see the full appraisal report and can decide if they wish to share the report with their agent

11. Determining any real estate value requires \_\_\_\_\_ knowledge:

- A. Local
- B. Local
- C. Local
- D. Local

12. An appraiser's ethical obligations require them to:

- A. Complete any legal task requested by their client
- B. Provide an unbiased opinion of value
- C. Follow USB standards of all appraisal assignments
- D. Provide an opinion of value which always supports the contract price

13. Each company should have a \_\_\_\_\_ to be prepared for circumstances when a property appraises below the purchase price:

- A. Written company policy
- B. A second appraiser always on call
- C. Website to post the names of bad appraisers
- D. Automatic earnest money release form for their buyers

14. Nobody understands the significance of a low appraisal more than:

- A. The lender
- B. The buyer
- C. The appraiser
- D. The agents involved

15. There is generally little concern over an appraised value if:

- A. The value is sufficient to cover the loan
- B. The percentage adjustments fall within USRAP guidelines
- C. The appraiser provides an additional closed sales and a pending or active listing to confirm the overall value range
- D. The value is within five percent of the sales price and the buyer has applied for a loan value of less than 80% of the appraised value

16. Much like the real estate profession, \_\_\_\_\_ offer a way to further demonstrate knowledge and professionalism:

- A. GRI and CRS
- B. CRS and MAI
- C. Professional designations
- D. Taking difficult continuing education classes

17. On television shows like House Hunters® (HGTV), one of the first detail on the screen is:

- A. The agent's and company's name
- B. The square footage of the property
- C. The sales price
- D. The property address and price

18. GLA is a term used in every appraisal report (form 1004) and is defined as:

- A. All *finished* living area
- B. Heated and cooled space which is similar to the other properties in the market
- C. Gross Lending Amount
- D. Finished space that is *above grade* only



## Exam Answer Key

1. C
2. B
3. C
4. B
5. C
6. B
7. B
8. D
9. D
10. A
11. A,B,C – OR - D
12. B
13. A
14. C
15. A
16. C
17. B
18. D
19. C
20. B

