

Real Estate Sales

Workbook

How to Use the Workbook

Included in this work book are exercises for each chapter of your course book. Each chapter has case studies, true/false, and a quiz. The case studies permit you to analyze situations and apply the concepts reviewed in the chapter to respond to various scenarios. True/False are included as a quick way to test your understanding of a concept. The quiz at the conclusion of each chapter permits you to test your knowledge of the chapter material with a multiple choice quiz. Answers are provided for all exercises.

The state licensing exam is all multiple-choice.

Published by Wisconsin REALTORS® Association
4801 Forest Run Road, Madison, Wisconsin 53704
Copyright © 2016
by Wisconsin REALTORS® Association
First Edition

The information and materials contained in this product are provided exclusively for educational purposes and are solely intended to be statements of general legal principles. The information and materials are not to be construed, interpreted, relied upon or used as legal advice in any fashion, including but not limited to use in litigation, arbitration, ethics matters or other administrative proceedings. Individuals seeking legal advice should obtain private legal counsel and should not rely upon the information and materials contained herein.

Contents

<p style="text-align: center;">-1-</p> <p style="text-align: center;">Agency Relationships</p> <p>Case Studies.....1</p> <p>True/False.....4</p> <p>Quiz.....8</p>	<p style="text-align: center;">-7-</p> <p style="text-align: center;">Real Property Ownership</p> <p>Case Studies.....67</p> <p>True/False.....69</p> <p>Quiz.....72</p>
<p style="text-align: center;">-2-</p> <p style="text-align: center;">Agency Issues</p> <p>Case Studies.....17</p> <p>True/False.....20</p> <p>Quiz.....22</p>	<p style="text-align: center;">-8-</p> <p style="text-align: center;">Title of Real Estate</p> <p>Case Studies.....77</p> <p>True/False.....79</p> <p>Quiz.....81</p>
<p style="text-align: center;">-3-</p> <p style="text-align: center;">Agency Agreements</p> <p>Case Studies.....31</p> <p>True/False.....33</p> <p>Quiz.....35</p>	<p style="text-align: center;">-9-</p> <p style="text-align: center;">Land Use</p> <p>True/False.....89</p> <p>Quiz.....91</p>
<p style="text-align: center;">-4-</p> <p style="text-align: center;">Disclosure</p> <p>Case Studies.....41</p> <p>True/False.....44</p> <p>Quiz.....46</p>	<p style="text-align: center;">-10-</p> <p style="text-align: center;">Offers to Purchase</p> <p>Case Studies.....95</p> <p>True/False.....97</p> <p>Quiz.....99</p>
<p style="text-align: center;">-5-</p> <p style="text-align: center;">Fair Housing</p> <p>Case Studies.....51</p> <p>True/False.....53</p> <p>Quiz.....55</p>	<p style="text-align: center;">-11-</p> <p style="text-align: center;">Financing</p> <p>Case Studies.....109</p> <p>True/False.....111</p> <p>Quiz.....113</p>
<p style="text-align: center;">-6-</p> <p style="text-align: center;">Valuation</p> <p>True/False.....61</p> <p>Quiz.....63</p>	<p style="text-align: center;">-12-</p> <p style="text-align: center;">Other Approved Forms</p> <p>Case Studies.....119</p> <p>True/False.....121</p> <p>Quiz.....123</p>

Contents

-13-

Contract Law

Case Studies.....	127
True/False.....	129
Quiz.....	131

-14-

Trust Accounts

True/False.....	137
Quiz.....	139

3. A firm hires an unlicensed personal assistant. The listing licensee cannot attend an open house this weekend and wants to send the personal assistant. Can the licensee do this? What if the personal assistant will only be responsible for handing out brochures? If the licensee sends the personal assistant to host the open house, what duties to the seller is the licensee in danger of violating? If this was your listing and had a scheduled open house that you could not attend, what would you have to do to fulfill the terms of your agency agreement?

4. A licensee sold a property for a seller and the seller and buyer closed the transaction two months ago. The buyer is not satisfied with the property and contacts the listing firm asking for the seller's new address and phone number. What should the listing firm do? To which party does a licensee owe the duty of confidentiality after the expiration of the listing contract?

5. A property owner hires a non-licensed property manager to manage a 16-unit apartment building. What can the property manager do for the property owner and what limits are there on the management services the property manager can provide? The property owner wants to list the property with you. What are your agency disclosure obligations to the property owner?

CASE STUDIES ANSWER KEY

1. The contractor could sell the first four lots without holding a real estate license and without hiring a real estate licensee. If the contractor sells a fifth lot in that year, the contractor is engaging in a pattern of sales, for which the contractor needs a real estate license. The contractor could go through the licensing process to become a brokerage firm and sell the remaining 16 lots or the contractor could hire a firm to sell the remaining lots. If the contractor does not hold a license, does not hire a firm, and sells 5 or more lots in one year, the contractor is practicing real estate without a license, which is punishable by a fine of not more than \$1000, not more than 6 months in prison, or both.
2. The selling licensee can draft the offer for relatives as long as the selling licensee discloses the relationship and the seller consents. The selling licensee could disclose the relationship by a separate written document given to the seller but usually an agent discloses this in an offer to purchase. The seller must consent to the selling licensee drafting the offer for relatives and a seller's acceptance of the offer would serve as consent. The buyers are customers of the selling licensee because they did not sign a buyer agency agreement, which means that the selling licensee is loyal to the seller even though drafting an offer for relatives. A selling licensee in this situation should make it clear that even though the buyers are relatives, the selling licensee owes loyalty to the seller and cannot provide advice or opinions to the siblings that would disadvantage the seller.
3. The licensee cannot send the unlicensed personal assistant in place of a licensee to host the open house, even if the personal assistant is only responsible for handing out brochures. Using an unlicensed personal assistant to host the open house violates Wisconsin Real Estate statutes and the duties to the seller-client. Sending an unlicensed personal assistant to host an open house is incompetent practice at a minimum, which violates the licensee's duty to exercise reasonable skill and care in providing brokerage services. The licensee may also be violating the duty to safeguard trust funds and other property by not supervising the open house. A licensee who agreed to host an open house for a seller but who could not due to a scheduling conflict could ask the seller to change the date of the open house or get the seller's consent to have another licensee host the event with or without the contribution of the unlicensed personal assistant.
4. The listing firm or its licensees should not attempt to mediate this dispute between the buyer and the seller. Once a transaction closes, the firm no longer plays a role in the relationship between a buyer and a seller. A firm could not give the seller's new contact information to the buyer because the duty of confidentiality survives the transaction. If the seller were the unhappy party, a firm could not give out the buyer's contact information because the firm and its licensees owe the duty of confidentiality to all parties in a transaction, not just the firm's client, and that duty survives the transaction for all parties.
5. Because the property manager does not hold a real estate license, the property manager can show apartments, provide information, collect rents, and transmit documents between the owner and the renters. The property manager cannot negotiate lease terms or sign leases on behalf of the property owner. If the property manager holds a real estate license, the property manager can negotiate leases and sign documents on behalf of the property owner.

If the property owner wants to list the building, you must provide agency disclosure. You do not have to ask the property owner to sign acknowledging agency disclosure, however, because it is not a residential property with one-to-four dwelling units.

TRUE/FALSE

1. T/F A salesperson is a licensee but brokers are not.
2. T/F To qualify for the tax benefits of an exchange, a seller could exchange a personal residence for a four-unit apartment building.
3. T/F When a buyer executes an option to purchase with a seller, the buyer must purchase the property.
4. T/F When a licensee lists a business, the licensee must determine if the sale includes real property.
5. T/F A builder who enters into 10 building contracts in one year must have a real estate license.
6. T/F A firm cannot limit a salesperson's practice to only buyer agency.
7. T/F A person does not need a real estate license to be a property manager.
8. T/F A personal representative who creates a pattern of sales does not need a real estate license.
9. T/F Licensees provide agency representation to clients and customers in a real estate transaction.
10. T/F A buyer asks a listing licensee to write an offer on a property listed with the licensee's firm. The firm has a multiple representation relationship.
11. T/F A buyer's licensee for Firm A writes an offer on one of Firm B's listings. Firm A and B are cooperating firms.
12. T/F If a licensee has to choose between complying with a duty owed to all persons or a duty owed only to a client, the licensee should comply with the duties owed to all persons.
13. T/F A licensee must disclose all material facts to a customer in a real estate transaction.
14. T/F A licensee's duty to keep customer and client information confidential survives the real estate transaction.
15. T/F A buyer hires XYZ as a buyer's firm. The buyer asks XYZ for information on properties that have recently sold in the neighborhood so the buyer can determine what to offer for a property listed with ABC. An agent of XYZ provides data sheets to the buyer and explains that the list price of the home is too high. The XYZ agent complied with the licensee's duties under agency law.
16. T/F A listing licensee discloses in writing to a buyer that the seller's basement has a leak even though the seller asked the listing licensee not to disclose this. The listing licensee complied with the licensee's duties under agency law.

17. T/F A buyer's firm must notify a seller or a listing firm of the firm's agency relationship with a buyer.
18. T/F A licensee only needs to comply with agency disclosure in residential transactions involving properties with one-to-four dwelling units.
19. T/F If a licensee gives a disclosure to customer form to a buyer, the buyer must work with that licensee.
20. T/F A buyer must sign a disclosure to customer form in all residential transactions involving properties with one-to-four dwelling units.
21. T/F A firm can only represent multiple parties in a transaction when all parties consent to the representation and the firm provides full written disclosure to all parties in the transaction.
22. T/F In a multiple representation relationship without designated agency, the firm remains neutral during transaction negotiations.
23. T/F If a firm is representing multiple parties in a transaction and the clients consent to multiple representation with designated agency, the firm's licensees can provide a client information and advice that benefits that client at expense of the other client's interest.
24. T/F Consumers can verbally consent to multiple representation with designated agency but must withdraw consent in writing.
25. T/F If a firm's client withdraws consent to multiple representation with designated agency, the firm and its licensees must remain neutral even if the other client in the transaction has chosen multiple representation with designated agency.

TRUE/FALSE ANSWER KEY

1. **False:** A licensee is any person licensed under state law including a broker and a salesperson.
2. **False:** To qualify for the tax benefit, a seller must exchange property held for productive use in a trade, a business, or as an investment for like property. A property owner's personal residence would not qualify as an exchange for tax purposes.
3. **False:** If a buyer executes an option to purchase with a seller, the buyer does not have to purchase the property but if the buyer chooses to exercise the option and purchase the property, the seller must sell it to the buyer according to the terms of the option.
4. **True.**
5. **False:** A person needs a real estate license when selling real estate or business. When a builder executes a contract to build a property rather than sell it, the contract is for the sale of personal property, not real estate and the pattern of sales requirement for a real estate license does not apply. If the builder includes the sale of land with the building contracts, the pattern of sales rule applies.
6. **False:** A firm can limit or define the real estate transactions in which licensees can participate. A licensee is a legal extension of the firm.
7. **True.**
8. **True.**
9. **False:** A firm represents a client in a real estate transaction through the agency relationship. A firm does not represent a customer in an agency relationship because a firm and a customer do not have an agency agreement or relationship.
10. **False:** The buyer does not have an agency agreement with the listing firm. Because the listing firm represents only the seller in this transaction, the firm does not have a multiple representation relationship.
11. **True.**
12. **True.**
13. **False:** A licensee must disclose all material adverse facts to all parties in a transaction but a licensee only has to disclose material facts to clients. Material adverse facts are all the important and negative facts. Material facts are important facts but can be positive.
14. **True.**
15. **True:** The buyer's agent represents the buyer and should provide data in addition to opinions and advice about the property, including opinions about the list price.
16. **True.**
17. **True.**
18. **False:** A licensee must provide agency disclosure in all real estate transactions.
19. **False:** A licensee disclosure to customer form does not create a contractual or legal obligation on behalf of the recipient.
20. **False:** A licensee is required to ask for the buyer's/seller's signature on a disclosure to customer form in residential one-to-four family transactions; however, the buyer/seller is not required to sign the form.
21. **True.**

- 22. **True.**
- 23. **True.**
- 24. **False.** Clients must consent to multiple representation with and without designated agency in writing. A client can withdraw consent at any time and must do so in writing.
- 25. **True.**

QUIZ

1. A licensee wants to write an offer on a property a seller listed with the licensee's firm. What duty to the client is the licensee in danger of violating?
 - a. Care.
 - b. Confidentiality.
 - c. Loyalty.
 - d. Obedience.
2. Which agreement gives a buyer the right to acquire a piece of property at a fixed price for a period of time?
 - a. An exchange.
 - b. An offer to purchase.
 - c. A lease.
 - d. An option to purchase.
3. A seller executes a listing contract with a licensee for the listing firm. Which of the following statements incorrectly describes the parties' relationship?
 - a. The listing firm is the seller's agent.
 - b. The listing licensee is the listing firm's agent.
 - c. The listing licensee and the firm owe fiduciary duties to the seller.
 - d. If the listing licensee dies, the agency agreement terminates.
4. A builder owns several lots in a subdivision. The builder sells a lot contingent on the buyer's agreement to use the builder to construct a home on the lot. Can the builder do this?
 - a. No, it is an illegal tie-in arrangement that violates antitrust laws.
 - b. No, it is an illegal tie-in arrangement that violates Wisconsin administrative rules.
 - c. Yes, it is a legal tie-in arrangement according to Wisconsin administrative rules.
 - d. Yes, it is a legal tie-in arrangement as long as the builder offers a home warranty.
5. A firm also operates a home staging company. The firm takes a listing for a seller and the firm also wants to offer home staging services to the seller. Can a licensee associated with the firm contact the seller and offer home staging services?
 - a. No, the firm must conduct real estate and home staging transactions from two separate offices and cannot mix business or contacts between the two operations.
 - b. Yes, the firm can offer home staging services to the seller as long as the firm has an unlicensed personal assistant contact the seller and no licensee discusses home staging services.
 - c. Yes, the firm can offer home staging services to the seller as long as the firm discloses the firm's interest in the home staging business.
 - d. No, it is an illegal tie-in arrangement to offer a different service to a client seeking real estate services.
6. A licensee's son wants to list property with the licensee's firm. What are the licensee's ethical obligations?
 - a. The licensee must disclose the relationship between the licensee and the seller.
 - b. The licensee must refuse to list the property because of the potential conflict of interest.
 - c. The licensee can list it as long as the licensee does not accept a commission when the property sells.
 - d. The licensee can list it as long as the licensee notifies the DSPS of the relationship.

7. Which of the following describes the relationship when a seller lists a property with a firm?
 - a. The seller is the firm's client.
 - b. The seller is the firm's customer.
 - c. The firm is the selling firm.
 - d. The seller is a fiduciary of the firm.

8. Which of the following does NOT correctly describe a firm's supervision responsibilities?
 - a. The firm must provide reasonable review of all documents and records related to transactions.
 - b. The firm must ensure licensees associated with a firm are properly licensed.
 - c. The firm cannot delegate supervision to another broker.
 - d. The firm must provide licensees associated with the firm with a written statement of office procedures for handling transaction documents.

9. To whom does a licensee owe the duties of providing brokerage services fairly and honestly, providing accurate market conditions, safeguarding trust funds, using reasonable skill and care, disclosure of all material adverse facts, confidentiality, and objectively presenting offers?
 - a. The seller.
 - b. The buyer.
 - c. The selling firm.
 - d. All parties to the transaction.

10. What should a salesperson do if the DSPS suspends the salesperson's firm's license?
 - a. Amend all agency agreements to remove the firm's name and replace with the salesperson's name.
 - b. Conclude all transactions within the 10-day grace period.
 - c. Stop participating in any real estate transactions.
 - d. Notify all buyers and sellers before the two-week conclusion period.

11. A listing firm lists a property. A buyer's firm successfully writes the offer on the property. How do you describe the firms?
 - a. Single agency firms.
 - b. Multiple representation firms.
 - c. Unethical firms.
 - d. Cooperating firms.

12. According to Wisconsin statutes, when must a licensee inform a client about multiple representation relationships?
 - a. When presenting the closing statement.
 - b. When entering the agency agreement.
 - c. Before commission is paid.
 - d. Any time.

13. How long does a salesperson have to close transactions if the salesperson is no longer associated with a firm?
 - a. 10 days.
 - b. 10 days from the date the salesperson sends a notice to the DSPS.
 - c. A salesperson cannot practice real estate unless associated with a firm.
 - d. The DSPS will notify the salesperson of the grace period for closing transactions.

14. What must a firm do if the firm has an agency agreement with a seller?
- Fulfill the requirements of the agency agreements.
 - Refuse to present offers unless the seller will net proceeds on the sale.
 - Represent a buyer in the transaction as long as the buyer signed the agency agreement first.
 - Fulfill all seller requests and put the seller's interest ahead of all other parties.
15. A firm lists a property for a husband and wife for \$157,000. The wife's employer transferred her position to another state and the couple needs to sell quickly. To assist the couple and entice some offers for the couple to consider, the listing licensee decides to tell a buyer that the couple will probably accept slightly below list price. The buyer wrote an offer that the seller accepted. What did the licensee do?
- The licensee violated the duties to a client.
 - Protected the seller's interest by generating offers for the sellers to review.
 - The licensee violated the duties to all parties in a transaction by not telling the buyer that the sellers needed to sell quickly.
 - Fulfilled agency obligations under the contract by procuring a buyer.
16. Who or what does the seller hire with an agency agreement?
- The listing firm.
 - The listing licensee.
 - The selling firm.
 - The selling licensee.
17. Which of the following does not describe a multiple representation relationship?
- A firm must disclose multiple representation to all parties in writing.
 - All parties must consent in writing to a firm representing multiple parties in a transaction.
 - The firm owes loyalty to the party who first signed an agency agreement with the firm.
 - The firm owes both parties the duty of confidentiality.
18. Which of the following is true of a licensee's agency disclosure duties?
- The licensee must provide disclosure and request acknowledgment when listing a single-family home.
 - The licensee does not have to provide disclosure in non-residential transactions.
 - The licensee must provide agency disclosure before giving a buyer information about a property.
 - Only a licensed broker needs to provide disclosure to customers.
19. What is a licensee's deadline for providing agency disclosure statements?
- Before writing the offer.
 - Before negotiating on the client's behalf.
 - Before closing.
 - Before entering into an agency agreement with the client.
20. What is a fiduciary?
- A set of laws that describe the responsibilities and obligations of a person who acts for another.
 - A person who is responsible for the property of another.
 - A person who starts an action that fulfills the goals of a principal.
 - A set of principles that govern how a firm works with cooperating firms.

21. What must occur when a salesperson terminates association with a firm?
 - a. The salesperson must surrender the person's real estate license to the DSPS within 10 days of terminating association with the firm.
 - b. The salesperson must send termination paperwork to the DSPS 10 days before the date of termination.
 - c. The salesperson must notify the DSPS in writing of the termination within 10 days.
 - d. The salesperson must make sure that the salesperson's firm sends termination paperwork to the local real estate board.

22. When can a firm collect compensation from both a buyer and a seller?
 - a. When the firm holds a Wisconsin real estate license.
 - b. When the buyer and the seller are related.
 - c. When the firm's client consents.
 - d. Never.

23. Which of the following is not acting as a licensee?
 - a. A broker.
 - b. A salesperson.
 - c. A property manager who signs leases on behalf of the landlord.
 - d. An unlicensed personal assistant who holds a valid real estate license.

24. A homeowner is selling a residential property, without listing it, to a buyer who is not working with a firm. What do the seller and the buyer need to do to fill out the state-approved offer to purchase?
 - a. One party needs to obtain a real estate license.
 - b. Nothing.
 - c. The seller or the buyer must hire an attorney to complete the form.
 - d. The seller or the buyer must hire a licensee to complete the form.

25. A buyer executes an option to purchase with a seller. Which of the following is true?
 - a. The buyer is the optionor.
 - b. The buyer must purchase the property.
 - c. The seller must sell if the buyer chooses to buy.
 - d. The seller is the optionee.

26. When can a client waive the duty of negotiation?
 - a. As long as the client waives it before a firm advertises a property.
 - b. If the client waives the duty fully and hires an attorney for settlement services.
 - c. If the waiver is in writing and a licensee provides mandatory disclosure of the effect of a waiver of the duty of negotiation.
 - d. Only if the firm agrees to reduce the commission on a transaction.

27. What is presumptive evidence of a pattern of sales?
- a. Five sales in one year or 10 sales in five years.
 - b. 10 sales in five years or one sale in 10 years.
 - c. Five sales in five years or 10 sales in 10 years.
 - d. 10 sales in one year or five sales in five years.
28. Which activity can an unlicensed personal assistant not do?
- a. Conduct an open house with a licensee present.
 - b. Create marketing pieces for the licensee's listings.
 - c. Complete an approved form at the direction of the licensee.
 - d. Negotiate an offer on behalf of a licensee's buyer.
29. Which activity requires a real estate license?
- a. A sheriff conducting a foreclosure sale.
 - b. A loan officer completing a loan application.
 - c. An attorney representing a client in a real estate transaction.
 - d. An individual negotiating the terms of another's business sale.
30. Which of the following is true of multiple representation relationships with designated agency?
- a. Both buyer and seller are customers of the same firm in the same transaction.
 - b. Clients that select designated agency must consent in writing.
 - c. Both buyer and seller may be represented by the same salesperson.
 - d. One party cannot withdraw consent to designated agency unless the other party also withdraws consent.
31. How does multiple representation with designated agency affect clients?
- a. If both parties consent to designated agency in writing, their designated agents negotiate on behalf of the client, even if negotiation places the interests of one client ahead of another.
 - b. If a client consents to designated agency, the firm and its licensees must remain neutral.
 - c. After a client consents to designated agency, the client cannot withdraw consent unless the other client agrees because clients' agency choices must match.
 - d. If a client consents to designated agency, a licensee may place the licensee's interest ahead of the clients.

QUIZ ANSWER KEY

1. **C:** If a licensee tried to purchase a property listed with the licensee's firm, the licensee's own interest are competing with the interests of the seller, which would prevent the licensee from placing the seller's interests ahead of the licensee. This violates the licensee's duty of loyalty to the seller.
2. **D:** An option to purchase is an agreement between a buyer and a seller where the buyer has the right to purchase a piece of property for a fixed period of time.
3. **D:** The agency relationship is between the firm and the client so the unfortunate death of the listing licensee does not change the agency relationship between the firm and the seller.
4. **C:** REEB § 24.075(3)(a) Licensees shall not condition the sale of vacant real estate owned by the licensee or whose sale is effectively controlled by the licensee upon the buyer's agreement to employ one or more specific builders to make improvements on the real estate unless the builder owns a bona fide interest in the real estate and there is full disclosure.
5. **C:** REEB § 24.05(1)(b) A licensee acting as an agent in a real estate or business opportunity transaction may not recommend or suggest to a party to the transaction the services of another individual or entity from which the licensee may receive compensation for a referral or in which the licensee has an interest, unless the licensee, prior to or at the time of referral, discloses to the party in writing the fact that he or she may receive compensation for the referral or that he or she has an interest in the individual or entity providing services.
6. **A:** REEB § 24.05(2) A licensee acting as an agent in a real estate or business opportunity transaction may not act in the transaction on the licensee's own behalf, on behalf of the licensee's immediate family or firm, or on behalf of any other organization or business entity in which the licensee has an interest without the prior written consent of all parties to the transaction.
7. **A:** The listing contract is an agency agreement, making the seller the firm's client.
8. **C:** A firm's supervision responsibilities include reasonable review of all documents and records relating to transactions, ensuring all licensees associated with the firm are properly licensed, and providing all licensees associated with the firm a written statement of office procedures on handling transaction documents. A firm can delegate supervision responsibilities to a supervising broker.
9. **D:** Wis. Stat. § 452.133(1) in providing brokerage services to a person to a transaction, a licensee shall do all of the following: provide brokerage services to all parties to the transaction honestly and fairly; exercise reasonable skill and care; disclose to each party all material adverse facts; keep confidential any information given to the licensee in confidence; provide accurate information about market conditions; safeguard all property coming into the possession of a licensee; and when negotiating on behalf of a party, present contract proposals in an objective and unbiased manner.
10. **C:** A salesperson can only practice real estate when associated with a firm and under the supervision of a supervising broker. There is no grace period and if the salesperson is no longer associated with a firm, the salesperson must stop participating in all real estate transactions.
11. **D:** When two firms participate in a transaction, they are called cooperating firms.
12. **B:** A licensee must disclose agency to clients at the time of entering into an agency agreement. A client chooses whether to consent to multiple representation relationships when executing an agency agreement. A licensee must provide agency disclosure to customers before negotiations.

13. **C:** If a salesperson is no longer associated with a firm, the salesperson must stop participating in real estate transactions. There is no grace period during which a salesperson can conclude transactions, even if the salesperson is without fault in the situation.
14. **A:** The firm must fulfill the requirements of the agency agreements. The firm cannot refuse to present offers based on the firm's opinion of the offer and signing an agency agreement first does not create priority among a firm's clients. A firm should fulfill a seller's requests, except in the case of unlawful requests or where fulfilling the request requires the firm to engage in unlawful conduct, such as housing discrimination. The firm cannot put the seller's interests ahead of all other parties in the transaction because if a duty to the seller conflicts with a duty to all parties, the firm must comply with the duty to all parties, which is putting another party's interests ahead of the seller's interests.
15. **A:** The licensee violated the duties to a client even though the licensee's action may have benefitted the seller by enticing buyers to submit offers. Unless the sellers authorized the licensee to reveal that they might take less than list price because they needed to sell quickly, the licensee violated the duty of confidentiality and loyalty.
16. **A:** The listing firm is the agent of the seller. The seller hires the firm with a listing contract. The listing firm engages licensees as independent contractors.
17. **C:** Wis. Stat. § 452.134 If a firm's client in a multiple representation relationship does not consent to designated agency or withdraws consent to designated agency, the firm and any licensees associated with the firm may not place the interests of any client ahead of the interests of any other in the negotiations.
18. **A:** A licensee must provide agency disclosure in all real estate transactions. For a client, the licensee must provide it when entering into the agency contract and for customers, the licensee must provide it prior to negotiations. Just providing a customer with information about a property is not negotiations. A firm only has to ask for acknowledgement of receipt of agency disclosure in transactions involving residential properties with one-to-four family dwellings.
19. **D:** A licensee must provide agency disclosure no later than entering into an agency agreement with the client.
20. **B:** A fiduciary is a person who is responsible for the property of another. Fiduciary duties are the set of laws that describe the responsibilities and obligations of a person who is a fiduciary for another.
21. **C:** Wis. Stat. § 452.30 A licensee that ceases to be associated with a firm shall, through the use of a form prescribed by the department, send written notice to the department within 10 days after the date on which the licensee ceases to be associated with the firm.
22. **C:** REEB § 24.05(1) A licensee acting as an agent in a real estate or business opportunity transaction may not accept any fee or compensation related to the transaction from any person, other than the licensee's client, principal firm, or the licensee's firm without prior written consent from all parties to the transaction.

23. **D:** A firm can hire a person who holds a real estate license to do unlicensed work for the firm. In this case, the person is functioning as a unlicensed personal assistant even though the person holds a real estate license.
24. **B:** Buyers and sellers can complete state-approved real estate forms without the assistance of a licensee or an attorney. Individual buyers and sellers do not need a real estate license to complete the forms or the transaction.
25. **C:** The seller (the optionor) must sell the property if the buyer (the optionee) chooses to purchase the property.
26. **C:** A client can waive the duty of negotiation in full or in part. The written waiver must contain a copy of the text of the duty the client is waiving, a statement that the firm will not have a legal duty to negotiate, and a warning that the client may need to hire an attorney or other service provider as a result of the waiver.
27. **A:** Wis. Stat. § 452.01(2)(b) A broker is engaged wholly or in part in the business of selling or exchanging interests or estates in real estate or business, including businesses' goodwill, inventory, or fixtures, whether or not the business includes real property, to the extent that a pattern of sales or exchanges is established, whether or not the person owns the real estate or business. Five sales in one year or 10 sales in five years is presumptive evidence of a pattern of sales or exchanges.
28. **D:** Wis. Stat. § 452.34 states that an unlicensed personal assistant can perform clerical duties on behalf of a salesperson including creating marketing pieces and filling in the blanks on an approved form. An unlicensed personal assistance cannot conduct an open house unless a licensed person supervises the event and could not negotiate an offer on a buyer's behalf.
29. **D:** Wis. Stat. § 452.01(3)(a)(b)(f)(h) A broker does not include 1) receivers, trustees, administrators, executors, guardians or other persons appointed by or acting under the judgment or order of any court; 2) public officers while performing their official duties; 3) attorneys licensed to practice in this state while acting within the scope of their attorney's license; 4) any lender when engaged in the transaction of business within the scope of its corporate powers as provided by law.
30. **B:** When a buyer and a seller are clients of the same in the same transaction, the firm is representing multiple parties and the parties must consent in writing. Because they have agency agreements, the buyer and the seller are not customers and because they chose designated agency, the firm must assign an agent for each party. Either party can withdraw consent to multiple representation with or without designated agency at any time.
31. **A:** When both parties consent to designated agency, a firm assigns each party an agent who negotiates on behalf of a client even if the negotiation places the interests of one of the firm's client's interests ahead of another. If the clients do not consent to designated agency, the firm and its licensees must remain neutral in the negotiation. A client can withdraw consent to designated agency at any time.

2 | Agency Issues

CASE STUDIES

1. A licensee takes her daughter to look at several properties. They looked at a property her daughter saw earlier with a licensee from another firm. The daughter wants to write an offer on the property she saw with the other licensee and then saw with her mom. The mom writes the offer, which the seller accepts. Did the mom act improperly? With which firm should the listing firm share the commission?
2. Can a buyer write the terms of the buyer's firm's commission into an offer to purchase? What happens if the seller accepts that offer but does not pay the buyer's firm according to the terms of the offer? Other than include the terms in an offer, what else does a buyer need to do if the buyer wants the seller to pay the buyer's firm's fee?
3. A firm wants to offer past clients and customers a gift certificate to a local restaurant for any referrals. Can the firm do this? To whom can a firm pay referral fees?

CASE STUDIES ANSWER KEY

1. A licensee cannot contact the buyer if the buyer has a WB-36 Buyer Agency/Tenant Representation Agreement with a firm. The licensee's daughter did not have a buyer agency agreement with a firm so the licensee did not violate any ethical obligations by working directly with her daughter. Determining how the listing firm should share the commission will depend on the circumstances of the transaction. If the daughter looked at the property several times with the first licensee but has her mom write the offer, the first licensee may have a good argument for procuring cause. If the first licensee only showed the property one time and the daughter would not write the offer without using her mom, then the licensee-mom may have a good argument for procuring cause.
2. Yes. A buyer's firm may ethically suggest or recommend that the buyer ask the seller to pay some or all of the buyer firm's fee. The buyer can condition an offer on the seller paying some or all of the buyer's firm's fee at closing. Remember, however, that the offer to purchase is a contract between the buyer and the seller and the buyer agency agreement is a separate contract between the buyer and the firm. If the parties get to closing and the seller refuses or cannot pay the buyer's firm according to the terms of the offer to purchase, the buyer will have to pay the buyer's firm's fee according to the terms of the buyer agency agreement and then sue the seller for breaching the terms of the offer to purchase. The buyer must consent to the buyer's firm being paid by the seller.
3. No, this would be illegal fee-splitting. Wis. Stat. § 452.19 limits the payment of referral fees, finder fees, and commission splits to Wisconsin licensees or persons lawfully and regularly engaged in real estate brokerage in another state.
4. A seller and the listing firm would modify the exclusive right to sell listing contract and make it an exclusive agency contract. To do this, the seller and the listing firm could include a provision limiting the seller's obligation to pay a commission only if the firm finds the buyer. If the seller finds the buyer, the seller does not owe a commission.
5. The seller and the firm need to sign a new listing contract. Parties cannot amend an expired listing contract to change the termination date. If the expiration date is approaching and the parties want to extend the listing, the parties can amend it before it expires and change the termination date.
6. The business owner can hire separate firms for each transaction. To list a property, the business owner and the firm execute a listing contract. To hire a buyer's firm to look for different properties, the business owner would tailor each buyer agency agreement to limit the properties for which each firm would earn a success fee. For example, the buyer agency agreement that the business owner used to hire the firm to look for a home would exclude all non-residential properties. The buyer agency agreement the business owner used to hire the firm to look for storefronts would exclude all non-commercial properties. There are different ways a buyer and firm can draft a buyer agency agreement to limit the agreement to certain properties or kinds of property.

TRUE/FALSE

1. T/F A listing firm lists five parcels of land using one listing contract. The listing firm is acting as a general agent.
2. T/F A listing firm lists five parcels of land using five listing contracts. The listing firm is acting as a special agent.
3. T/F Wisconsin law requires that all sellers sign the listing contract.
4. T/F To create an open listing, a firm and a seller can modify the approved exclusive agency listing.
5. T/F It is illegal for a firm to pay a referral fee to a secretary for business the secretary refers to the firm.
6. T/F A firm can pay an unlicensed personal assistant \$50.00 for each lead the assistant generates through a telemarketing campaign.
7. T/F A listing firm and a seller use an exclusive right to sell listing contract to create implied agency.
8. T/F A listing agreement typically creates a special agency.
9. T/F Sonja is a salesperson for Firm A but she is going to transfer her license to Firm B. Sonja should contact her current listings to discuss early termination so she can transfer them to new listing agreements when she is at Firm B.
10. T/F A real estate firm that charges a high commission to create an impression that the firm's licensees are sophisticated and offer excellent customer service is price fixing in violation of the Sherman Antitrust Act.
11. T/F A buyer pays the buyer's firm according to the terms of the listing contract.
12. T/F There is typically not a single act that determines procuring cause.

TRUE/FALSE ANSWER KEY

1. **True.**
2. **True.**
3. **False:** Wisconsin law requires the party paying the commission to sign the agency agreement. Usually this is a buyer or a seller but the law does not require that it be the buyer or the seller. Only the person who is agreeing to pay the commission must sign the agency agreement.
4. **False:** To create an open listing, the parties would modify the exclusive right to sell listing contract rather than an exclusive agency contract. The exclusive right to sell listing contract is the only state-approved listing contract.
5. **True.**
6. **False:** An unlicensed personal assistant must be paid a hourly wage or salary. Compensation based on success or sales, such as commission or bonuses, is illegal fee-splitting with a non-licensee.
7. **False:** Parties using a written contract create an express agency relationship.
8. **True.**
9. **False:** Agency agreements are between the firm and the client. Licensees do not have the legal authority to terminate or shorten the term of an agency agreement or reduce the commission without the written consent of the supervising broker.
10. **False:** A individual company making independent decisions about commission rates and structures is not price fixing. Two or more firms working together to develop policies setting commissions are price fixing.
11. **False:** A buyer pays a buyer's firm according to the terms of the buyer agency agreement.
12. **True.**

QUIZ

1. A seller lists a property with a firm. The firm finds a buyer who writes an offer at the price and on substantially the same terms as the listing. The firm presents the offer and the seller rejects it. The seller then terminates the listing before the expiration date. What can the firm do?
 - a. The firm can sue the seller for the firm's commission.
 - b. The firm can sue the buyer for the firm's commission.
 - c. The firm can sue the seller for specific performance.
 - d. The buyer can sue the seller for specific performance.
2. Which of the following is a similarity between an Exclusive Agency and an Exclusive Right to Sell listing?
 - a. Each contract pays the firm no matter who procures a buyer.
 - b. Each contract employs only one firm to market the property.
 - c. Each contract pays the firm a commission unless the seller sells the property.
 - d. Each contract pays the firm if the seller's house is sold to a buyer.
3. A group of competing firms at a weekly breakfast meeting decided that introducing discount brokerage services to the market would be bad for business. They agreed among themselves not to charge any less than 7% commission. Is the firm's agreement legal?
 - a. Yes, it is price fixing under the Sherman Antitrust Act.
 - b. No, it violates fair housing laws.
 - c. Yes, it is a group boycott under the Sherman Antitrust Act.
 - d. No, it is price fixing under the Sherman Antitrust Act.
4. A seller enters into a listing contract for one month. The contract states that the seller will pay the listing firm 6% commission only if a named buyer purchases the property. What kind of listing contract is this?
 - a. Exclusive Right to Negotiate.
 - b. Net.
 - c. One-party.
 - d. Open.
5. ABC and XYZ are cooperating firms. XYZ is the listing firm and ABC is the selling firm. The firm agrees to evenly share the commission. When does XYZ earn the commission?
 - a. ABC submits an offer to XYZ.
 - b. At closing.
 - c. ABC finds a ready, willing and able buyer.
 - d. When the buyer satisfies a financing contingency.
6. A firm lists a seller's home. The seller is not satisfied with the firm's service and cancels the listing before the expiration date of the listing agreement. What can the firm do?
 - a. Sue for specific performance and force the seller to fulfill the terms of the listing.
 - b. Sue the seller for damages due to early termination.
 - c. Sue for a commission if the seller closes during the original term of the listing contract.
 - d. Continue to market the property and present offers to the seller.

7. What should a buyer include when completing a WB-36 Buyer Agency/Tenant Representation Agreement?
 - a. The exact description of the property the buyer ends up purchasing.
 - b. The street address of the property the buyer ends up purchasing.
 - c. The legal description of the area where the buyer hopes to find a property.
 - d. The general description of the property the buyer wants to purchase.
8. Which event does not terminate an agency relationship?
 - a. A seller decides not to sell.
 - b. A firm discovers that the market value of the property will not generate a sufficient commission for the firm.
 - c. A seller dies.
 - d. A firm finds a ready, willing and able buyer for the seller's property, who subsequently purchases the property and receives title.
9. What does it mean if a party rescinds a contract?
 - a. The parties cancel the contract and are restored their positions to before the contract.
 - b. The party receives court-ordered compensation for damages from breach of contract.
 - c. The party terminates a contract and must pay damages.
 - d. The parties agree to reveal confidential contract terms to a firm.
10. Whose death would not terminate an agency agreement?
 - a. Death of the seller.
 - b. Death of the sole-proprietor broker running the brokerage firm.
 - c. Death of the salesperson.
 - d. Death of the buyer.
11. What kind of agency relationship can a buyer and a firm create with a WB-36 Buyer Agency/Tenant Representation Agreement?
 - a. An implied special agency relationship.
 - b. A general agency relationship.
 - c. A net agency relationship.
 - d. A federal agency relationship.
12. What is the result of a selling agent telling a buyer that a property is overpriced in an effort to get the buyer to write an offer?
 - a. The selling agent creates an express agency relationship.
 - b. The buyer creates an implied agency relationship with the seller.
 - c. The selling agent creates a multiple representation relationship.
 - d. The selling agent creates a single agency relationship.

13. How can a firm enforce a verbal listing contract?
 - a. The firm can collect only the commission that the seller promised verbally.
 - b. The firm can collect only the money to cover for marketing and advertising expenses from the seller.
 - c. The firm can sue the seller in court for the commission but the seller will not have to pay.
 - d. The firm can sue the seller in court for enforcement of the express agency agreement.
14. What is a listing contract?
 - a. A promise to sell the seller's property.
 - b. A promise to pay the buyer firm's commission.
 - c. A promise to pay buyer's closing costs.
 - d. A promise to attempt to find a ready, willing and able buyer.
15. XYZ Realty listed a property and ABC Realty found a buyer. The firms have an agreement to share the commission evenly. What could reduce a listing firm's commission?
 - a. ABC showed the property more than XYZ.
 - b. XYZ did not attend the closing but ABC did.
 - c. ABC presented the offer directly to the seller with XYZ's permission.
 - d. The listing firm and the seller agree to reduce the firm's commission.
16. When can a firm take a net listing?
 - a. The firm discloses it in writing to the seller.
 - b. The buyer gives permission for the listing firm to pay the buyer's firm's success fee.
 - c. A firm cannot take a net listing.
 - d. A firm makes an independent business decision to take net listings.
17. What determines the amount a client's firm will earn in a real estate transaction?
 - a. The Board/Association of REALTORS®.
 - b. The agency agreement.
 - c. The Multiple Listing Service.
 - d. State law.
18. Two cooperating firm evenly split a 7% commission on a sale. The listing firm paid the listing agent \$2,520 as the agent's 60% share. What was the sale price of the property?
 - a. \$30,000
 - b. \$60,000
 - c. \$90,000
 - d. \$120,000
19. A firm pays a salesperson \$3,000, which is 50% of the listing firm's commission on a \$100,000 sale. What percentage did the seller agree to pay the listing firm in the listing contract?
 - a. 3%
 - b. 6%
 - c. 7%
 - d. 8%

20. A firm pays a salesperson \$1,522.50, which is one-half of the firm's 7% commission on a sale. What was the sale price of the property?
- \$22,500
 - \$43,500
 - \$45,000
 - \$90,000
21. A listing agent sells a house for \$89,000. The listing firm paid one-half of the 7% commission to the cooperating firm. The listing firm pays the listing agent 40% of the listing firm's share of the commission. How much did the listing firm pay the listing agent?
- \$1,156
 - \$1,246
 - \$1,500
 - \$2,000
22. A firm sold a property for \$79,500. The seller paid the listing firm 6.5% commission. The listing firm will pay the listing agent 30% of the commission and will pay the selling agent 25% of the commission. How much did the listing firm pay the listing agent?
- \$1,292
 - \$1,550
 - \$3,617
 - \$5,168
23. A firm pays a salesperson a monthly salary of \$1,000 plus 3% commission on all of the salesperson's listings that sell and 2.5% on properties where the salesperson is the selling agent. None of the salesperson's listings sold last month. The firm paid the salesperson \$4,175 in salary and commission. What was the value of the property the salesperson sold?
- \$105,833
 - \$122,500
 - \$127,000
 - \$147,000
24. A seller nets \$100,000 from a property. The seller paid the firm 7% commission. What was the sale price of the seller's property?
- \$107,000
 - \$107,500
 - \$107,527
 - \$115,524
25. A seller tells a firm that the seller needs to net \$120,000 on the sale of the property. If the seller agrees to pay the firm 5% commission, what is the minimum price the seller will accept for the property?
- \$125,468
 - \$126,000
 - \$126,316
 - \$127,000

26. What is the result of a licensee giving a seller a \$100.00 gift certificate after the sale if the licensee and the seller do not disclose the gift certificate?
- a. Illegal fee-splitting.
 - b. Prohibited self-dealing.
 - c. The unlicensed practice of law.
 - d. A multiple representation relationship.
27. A seller accepts an offer for \$190,000 and nets \$160,000 after paying the firm's 7% commission and other closing costs. How much did the seller pay in closing costs?
- a. \$12,800
 - b. \$13,300
 - c. \$16,700
 - d. \$30,000
28. What is a firm doing if a firm advertises to pay \$50.00 for any lead that results in a listing or sale of real estate?
- a. Offering to engage in illegal fee-splitting.
 - b. Offering to engage in illegal dual compensation.
 - c. Offering to engage in illegal multiple representation.
 - d. Legitimate activity.
29. A firm offers a 60/40 split to cooperating firm. How much does the listing firm owe to a cooperating firm for a property sold for \$150,000 at 7% commission?
- a. \$4,200
 - b. \$5,250
 - c. \$6,300
 - d. \$7,200
30. Which of the following does a firm not have to do before acting as an agent in a real estate transaction?
- a. Execute a valid agency agreement.
 - b. Provide agency disclosure.
 - c. Have a valid license.
 - d. Join the MLS.
31. A seller gives a listing firm an exclusive right to sell. During the term of the listing, the seller signs another exclusive right to sell listing with a different firm. To which firm does the seller owe a commission?
- a. If anyone procures a buyer, the seller owes both firms a commission.
 - b. To the first firm because the seller signed that agency agreement first.
 - c. To whichever firm found the buyer.
 - d. To the first firm, which must split it with second firm.

32. A seller nets \$80,000 after paying 7% commission to the listing firm. How much did the seller pay the listing firm? Use whole numbers.
- \$3,678
 - \$5,601
 - \$6,022
 - \$7,000
33. What does a firm have to do to be able to enforce a commission the firm earned under an agency agreement?
- The firm must work in a real estate office.
 - The client and the firm must have agreed to the agency relationship.
 - The client and the firm must have a written agency agreement.
 - The firm must have a licensed personal assistant.
34. What does a special agent have the authority to do?
- Act as a power of attorney.
 - Locate rental properties within a 12-mile radius of an address.
 - Represent a principal in financial, tax, and property transactions.
 - Represent a principal in a specific transaction.
35. A seller lists a property with a firm for three months. One month into the listing contract, the seller sells the home to a friend but does not owe the listing firm a commission. What type of listing contract did the seller and the firm have?
- An exclusive right to sell listing.
 - An exclusive agency listing.
 - An illegal listing.
 - A net listing.
36. A married couple hires a listing firm with an exclusive right to sell listing contract. Two weeks into the listing, buyers write an offer that the sellers accept. The buyers satisfied all of their contingencies but did not close. What are the listing firm's rights to the commission?
- The listing firm earned a commission because the sellers had an enforceable contract for sale.
 - The listing firm must sue the buyers for the commission.
 - The listing firm did not earn a commission because the transaction did not close.
 - None because a listing firm does not earn a commission until closing.
37. After a successful transaction, what are a buyer's licensee's duties to the buyer?
- A licensee owes no duties after closing.
 - The licensee must make sure the property is what the buyer expected.
 - The licensee must keep the buyer's confidential information confidential.
 - The licensee must file a lawsuit on behalf of the buyer if the buyer is unhappy with the property.

QUIZ ANSWER KEY

1. **A:** The firm earned a commission according to the terms of the listing contract when the buyer wrote a “mirror offer,” even if the seller rejects the offer. The firm could not sue the buyer because the firm and the buyer do not have a contract and the firm could not sue the seller for specific performance because that is not an available remedy for breach of a personal service contract, such as the listing contract.
2. **B:** Both an exclusive agency and an exclusive right to sell listing contract employ a firm to represent the seller in the sale of a property. With an exclusive right to sell listing, the listing firm earns a commission regardless of who finds the buyer. Under an exclusive-agency listing, the listing firm earns a commission unless the seller finds the buyer.
3. **D:** The agreement is price fixing, which violates the Sherman Antitrust Act.
4. **C:** When a seller executes a listing contract agreeing to pay a firm a commission only if a named buyer purchases the property, the seller and the firm have a one-party listing contract.
5. **C:** A listing firm earns a commission when the firm procures a buyer. The seller does not pay the commission until the day of closing or the date set for closing if the transaction does not close.
6. **B:** Agency agreements are personal service contracts and a court will not award specific performance as a remedy for a breach of a personal service contract. Early termination of an agency agreement without cause is a breach of contract and the non-breaching party could sue the other party for damages resulting from the breach.
7. **D:** When executing a buyer agency agreement, the parties use a general description of the property because the buyer may not know the street address or legal description of the property that the buyer will purchase.
8. **B:** An agency agreement terminates at the death or incapacity of the principals, destruction of the property, expiration of the term, mutual agreement, breach, operation of law, or completion.
9. **A:** Rescission means to cancel a contract and restore the parties to their original positions.
10. **C:** Because agency originates with the firm, the firm and the client are the parties to an agency agreement. The death of a salesperson does not affect the agency contract.
11. **B:** A WB-36 Buyer Agency/Tenant Representation Agreement can create a general or a special agency relationship. If the contract terminates when the buyer finds a property, it is a special agency relationship. If it continues after the buyer finds a property, it is a general agency relationship. A written agency agreement is express, not implied. Parties create express agency with words, either written or verbal, and create implied agency through a party’s actions.
12. **C:** The selling agent created a multiple representation relationship by providing information and advice to the buyer-customer. This could lead a buyer to believe that the selling agent is representing the buyer’s interests, which creates implied agency between the buyer and the agent. The selling agent may not have intended to create an agency relationship but did so by providing agency services to the buyer. The firm now has agency relationships with the buyer and the seller, which is multiple representation.

13. **C:** A Wisconsin court will not enforce a verbal real estate agency contract, which means the firm does not have a remedy to enforce the contract terms with the seller, including payment of the firm's commission.
14. **D:** A listing contract is a promise by the firm to attempt to procure a ready, willing, and able buyer. It is not a promise to sell the property or pay a buyer's expenses.
15. **D:** The listing contract is between the seller and the listing firm. The listing firm earned the full commission regardless of who procures the buyer or completes the closing details. A seller and the listing firm are the only parties that could agree to reduce the listing firm's commission.
16. **C:** Net listings are illegal in Wisconsin.
17. **B:** A firm's commission is negotiable between the parties. The agency agreement determines the firm's commission.
18. **D:** $\$2,520 / .60 = \$4,200$ commission paid to the listing firm. $\$4,200 \times 2 = \$8,400$ total commission paid. $\$8,400 / .07 = \$120,000$ sale price.
19. **B:** $\$3,000 \times 2 = \$6,000$ total commission. $\$6,000 / \$100,000 = .06 = 6\%$
20. **B:** $\$1,522.50 \times 2 = \$3,045$. $\$3,045 / .07 = \$43,500$.
21. **B:** $\$89,000 \times .07 = \$6,230$. $\$6,230 \times .50 = \$3,115$. $\$3,115 \times .40 = \$1,246$ commission.
22. **B:** $\$79,500$ sale price $\times 6.5\%$ commission = $\$5,168$. $\$5,168 \times .30 = \$1,550$ listing salesperson's commission.
23. **C:** $\$4,175 - \$1,000$ salary = $\$3,175$ commission on sales. $\$3,175 / .025 = \$127,000$ value of property sold.
24. **C:** $\$100,000 / .93 = \$107,527$.
25. **C:** Sale price - 5% = net price. $100\% - 5\% = 95\%$. $\$120,000 / .95 = \$126,316$
26. **A:** Wis. Stat. § 452.19, "No licensee may pay a fee or a commission or any part thereof for performing any act specified in this chapter or as compensation for a referral or as a finder's fee to any person who is not licensed under this chapter or who is not regularly and lawfully engaged in the real estate brokerage business in another state, a territory or possession of the United States, or a foreign country."
27. **D:** $\$190,000$ sales price - $\$160,000$ net = $\$30,000$ paid in closing costs
28. **A:** Wis. Stat. § 452.19, "No licensee may pay a fee or a commission or any part thereof for performing any act specified in this chapter or as compensation for a referral or as a finder's fee to any person who is not licensed under this chapter or who is not regularly and lawfully engaged in the real estate brokerage business in another state, a territory or possession of the United States, or a foreign country."
29. **A:** $\$150,000 \times .07 = \$10,500$ commission paid to listing firm.
 $\$10,500 \times .40 = \$4,200$ of commission received by selling firm.
30. **D:** Wis. Stat. § 452 states that an individual must be licensed in order to collect a commission. There must be a valid agency agreement and agency must have been properly disclosed. There is not a requirement that a firm belong to a multiple listing service.

31. **A:** The language in the exclusive right to sell listing contract requires the seller to pay a commission to the firm if a buyer is found. If the seller has two valid contracts with two firm, the seller owes a commission to each firm.
32. **C:** The seller received \$80,000 after paying the firm a 7% commission.
To determine the commission paid, calculate the sale price first.
 $\$80,000 / .93 = \$86,022$ sales price. $86,022 \times .07 = \$6,022$ commission paid.
33. **C:** Wis. Stat. § 240.10, "Every contract to pay a commission to a real estate agent or broker or to any other person for selling or buying real estate shall be void unless such contract or note or memorandum thereof describes that real estate, expresses the price for which the same may be sold or purchased, the commission to be paid and the period during which the agent or broker shall procure a buyer or seller, is in writing, and is subscribed by the person agreeing to pay such commission, except that the contract to pay a commission to a person for locating a type of property need not describe the property."
34. **D:** A principal authorizes a special agent to act on behalf of the principal in a particular act or transaction.
35. **B:** The seller had an exclusive agency listing, which means that the firm earns a commission unless the seller finds the buyer. The seller found the buyer, which means the seller does not owe a commission.
36. **A:** The firm found a buyer and earned a commission even though the transaction did not close. In the listing contract, the firm promises to find a buyer but does not promise that the transaction will close.
37. **C:** A firm's responsibility to a client ceases upon termination of the agency relationship. The licensee's duty of confidentiality survives the transaction.

3 | Agency Agreements

CASE STUDIES

1. A listing firm has a six-month listing with a seller. The seller names a friend as an exclusion for the first three months. During the three-month period, the friend looked at the home twice but did not make an offer. The friend did not look at the house again during or after the three-month period. Can the firm put the friend on the firm's list of protected buyers if the listing contract expires?
2. A firm's listing expired on January 23. On January 23, a cooperating firm called the listing firm to set up a showing for January 24. The firm called the seller and asked for a one-day extension to the listing contract to accommodate the showing for the next day. The seller agreed to the extension and the showing but the seller and the firm did not amend the listing contract. The seller has a new listing contract beginning on January 24 with another firm. The buyer saw the property on January 24 with the original listing firm and the cooperating firm. If the buyer purchases the property, which firm earned the commission for this sale?
3. During a firm's listing, another firm showed the seller's property, wrote an offer and presented it to the seller without informing the listing firm. The seller accepted the offer and then told the listing firm that the seller wanted the other firm to handle the closing. Did the listing firm earn a commission? Did the other firm behave ethically?
4. A seller who is selling a property For Sale By Owner (FSBO) has found a buyer. The seller contacts a licensee and asks the licensee to write the offer and handle the closing. Does the licensee need to have a listing contract?

CASE STUDIES ANSWER KEY

- Buyers may qualify as protected buyers for the extension of a firm's listing if, during the term of the listing, the buyer submitted a written offer to purchase, negotiated directly with the seller, or attended an individual showing or negotiated directly with the firm. Buyers who submitted written offers to purchase or who negotiate directly with the seller are automatically protected. To protect buyers who attended individual showings or who negotiated directly the firm, the listing firm must deliver a list of those buyers' names to the seller within three days after the expiration of the listing contract. "Negotiated" for the purpose of protecting buyers, means that the buyer discussed the potential terms upon which the buyer might acquire an interest in the property. Even though buyers who submitted written offers or who negotiated directly with the seller are automatically protected, best practice suggests that a firm's list all potential protected buyers.

In this situation, the seller excluded the friend for three months. The listing firm could only include the friend on the protected buyer list if the friend submitted an offer, viewed the property or negotiated directly with the seller, attended an individual showing or negotiated directly with the firm after the three-month exclusion period ended.

- The second listing firm earns the commission. The first listing firm could have extended the term of the original listing if the seller had signed an amendment on or before January 23. After the contract expires, the parties cannot amend it. Even if the seller had signed an amendment on January 24, it would not have been effective in extending the original, expired listing. A seller's promise to extend the listing is not enforceable because Wis. Stat. 240.10 requires the extension agreement to be in writing.
- Yes. According to the terms of the listing contract, a listing firm earns a commission if, during the term of the listing, the seller accepts an offer that creates an enforceable contract. In this case, during the term of the listing, the seller accepted an offer that created an enforceable contract and the listing firm earned a commission despite the fact that the seller wants the other company to handle the closing. The listing firm should ask the seller to indicate in writing that the seller wants the other firm to handle the closing. This should help protect the listing firm from any claim that the listing firm did not fulfill obligations of the listing contract.

Whether the other firm complied with ethical obligations of Wis. Admin. Code REEB 24.13(5) depends on the circumstances that caused the firm to work directly with the seller. Wis. Admin. Code REEB 24.13(5) provides that a licensee may not negotiate a sale or lease of real estate directly with a party if the licensee knows that the party has an unexpired written contract in connection with the real estate which grants to another licensee an exclusive right to sell, lease or negotiate. If the other firm knew that the seller has an unexpired listing contract, the other firm should have contacted the listing firm for this transaction. The rule does provide an exception, however, if a firm consents to direct negotiation with the party or where the absence of the firm, or other similar circumstances, reasonably compels direct negotiation with the party.

- Not necessarily. To conduct this transaction, the firm could enter into a listing contract with the seller or enter into a buyer agency agreement with the buyer. Licensees cannot just handle the paperwork in a transaction. A licensee cannot use approved forms unless acting as an agent or a principal in a transaction. Unless the licensee's firm has an agency agreement with either the buyer or the seller, the licensee cannot assist in this transaction. A licensee cannot enter into an agency agreement for the sole purpose of completing forms. When a licensee enters into an agency agreement, the licensee must, in addition to completing approved forms, perform all other duties owed to all parties and duties owed to the client in the transaction. This includes inspecting the property and disclosing material adverse facts.

TRUE/FALSE

1. T/F The state-approved residential listing contract is the exclusive right to sell.
2. T/F A valid agency agreement must contain the legal description of a property.
3. T/F A listing contract includes a washer and a dryer but the buyer's offer does not mention a washer and a dryer. The purchase price includes the washer and dryer.
4. T/F A listing contract must be at least three months long.
5. T/F A seller of a condominium where the condominium association has a right of first refusal should disclose that to a buyer in writing.
6. T/F A buyer's firm may earn a success fee if the buyer or any person acting on behalf of the buyer enters into an enforceable contract to acquire an interest in property covered by the buyer agency agreement during the term of the agreement.
7. T/F For a buyer's firm to receive money from the seller, the buyer must consent.

TRUE/FALSE ANSWER KEY

1. **True.**
2. **False:** An valid agency agreement does not need to contain a legal description to identify the property. Parties can use legal descriptions if the street address is not sufficient to identify the property.
3. **False:** The offer to purchase controls what items a seller must include in the purchase price. The listing contract is what a seller wants but does not ultimately control what property is included in the purchase price.
4. **False:** A valid agency agreement must have a beginning and an end date but does not have to be for any specific period.
5. **True:** A right of first refusal is a material adverse fact that a seller must disclose to a buyer before the buyer writes the offer to purchase.
6. **True.**
7. **True.**

QUIZ

1. Whose employment terms are governed by a listing agreement?
 - a. The listing firm.
 - b. The listing firm and the firm's licensees.
 - c. The listing firm, the firm's agents, and cooperating firm.
 - d. The listing firm, the firm's agents, cooperating firm, and buyer's firms.
2. On what line of the WB-1 Residential Listing Contract does a licensee indicate how much compensation the listing firm is offering to other firms?
 - a. Lines 147-148.
 - b. Lines 27-28.
 - c. Lines 20-21.
 - d. Lines 52-53.
3. When does a firm with a WB-1 Residential Listing Contract earn a commission?
 - a. If an LLC owns the property and new owners acquire the LLC.
 - b. If a seller reduces the listing price without the listing firm's permission.
 - c. A seller signs another listing contract that begins the day after the current listing contract expires.
 - d. If the property is sold within one year of the termination of the listing contract.
4. Which statement is true of the extension of listing provision in the WB-1 Residential Listing Contract?
 - a. The listing firm must provide a list of protected buyers to a new listing firm within 24 hours of the new listing.
 - b. It does not permit a firm to include anonymous buyers.
 - c. It extends the listing for any buyer who attended an open house.
 - d. Buyers who negotiate directly with sellers during the term of the listing contract are automatically protected buyers for the listing firm.
5. Which of the following statements is true of the WB-1 Residential Listing Contract?
 - a. It prohibits listing firms from cooperating with buyer's agents.
 - b. It prohibits listing firms from limiting cooperation with subagents.
 - c. It warns sellers that limiting firm's cooperation with other firms may reduce the marketability of the property.
 - d. It does not address cooperation issues because firms do not cooperate in transactions.
6. What must firms do when working with buyers?
 - a. Firms must only work with buyer-customers.
 - b. Firms can only work with buyers if the buyers are clients of the firm.
 - c. Firms must use a WB-36 Buyer Agency/Tenant Representation Agreement if the buyer will be a client.
 - d. Firms must use a WB-36 Buyer Agency/Tenant Representation Agreement if the buyer will be a customer.
7. What authority does a listing agent have under the WB-1?
 - a. Reduce the commission amount.
 - b. Shorten the term of the listing.
 - c. Terminate the listing.
 - d. Sign the listing on the listing firm's behalf.

8. What state-approved form includes the terms for payment of a buyer's agent?
 - a. WB-1 Residential Listing Contract.
 - b. WB-11 Offer to Purchase.
 - c. WB-36 Buyer Agency/Tenant Representation Agreement.
 - d. WB-47 Amendment to the Buyer Agency/Tenant Representation Agreement.

9. What should a buyer do if the buyer wants a seller to pay the buyer's firm?
 - a. The buyer should include a request for direct payment of the fee from the seller in the Offer to Purchase.
 - b. The buyer should include a request for direct payment of the fee from the listing firm in the Offer to Purchase.
 - c. The buyer and the seller must have an attorney draft a buyer's firm's payment agreement.
 - d. The buyer must purchase a "for sale by owner" property.

10. A seller gives an exclusive right to sell listing to a firm for six months. The seller also gives an open listing to another firm during that same six-month period. The firm with the open listing procures a buyer. To which firm does the seller owe a commission?
 - a. The seller pays one commission amount and each firm receives 1/2 of the amount.
 - b. The seller owes the commission to the firm with the exclusive right to sell.
 - c. The seller owes a full commission to each firm as stated in the respective listing contracts.
 - d. The seller owes a commission only to the firm who procured the buyer.

11. What can a firm do if a buyer breaches the offer to purchase contract?
 - a. Advise the seller to retain the earnest money as liquidated damages.
 - b. Advise the seller to sue the buyer for specific performance.
 - c. Advise the seller that if the seller elects to keep earnest money, that the firm's advance fees will be paid first, then the balance will be shared between firm and seller.
 - d. Promptly return the earnest money to the buyer.

12. What is the status of a firm's commission if a seller accepts an offer two weeks after the expiration of the listing from a buyer who attended an individual showing during the term of the listing?
 - a. The seller owes the listing firm a commission.
 - b. The seller owes the listing firm a commission if the buyer is a protected buyer.
 - c. The seller owes a commission but the listing firm must share it with the seller's new listing firm if the seller listed the property with another firm.
 - d. The seller does not owe a commission because the buyer submitted the offer after the expiration of the listing contract.

13. What must a seller and a listing firm include in a listing contract?
 - a. The period for which the listing contract is in effect.
 - b. An automatic extension of the listing contract if the property does not sell during the original term.
 - c. A listing period of not less than four months.
 - d. An automatic termination clause after six months.

14. What is a real estate listing contract?
 - a. A promise to sell to a buyer when the seller accepts the buyer's offer.
 - b. A promise to pay the listing firm a commission if the firm procures a buyer.
 - c. A unilateral contract that obligates a seller to sell if a buyer submits an offer.
 - d. An implied employment contract between a seller and a firm.

15. What must a valid listing contract include?
 - a. The dimensions of the property.
 - b. A complete legal description of the property.
 - c. Both the legal description and the street address of the property.
 - d. A description of the property.
16. The WB-36 Buyer Agency Agreement:
 - a. Terminates the agency relationship as soon as an interest in property is acquired.
 - b. Can be used to create general agency.
 - c. Prohibits payment of a firm's fee from a party other than the principal.
 - d. Always grants the exclusive right to negotiate.
17. A home is listed for \$100,000 and sells for \$90,000. If the firm's commission is 7% of the sale price, what did the firm earn on this transaction?
 - a. \$630
 - b. \$700
 - c. \$6,300
 - d. \$7,000
18. Which of the following statements does not correctly describe a buyer agency agreement?
 - a. A buyer must sign a buyer agency agreement for all property transactions.
 - b. The buyer agency agreement allows a buyer to purchase a property with a licensee other than the buyer's agent.
 - c. A buyer may owe a commission to the buyer's firm even if the buyer's firm does not locate the property the buyer purchased.
 - d. A buyer's agent is allowed to represent more than one buyer.
19. A buyer attends an individual showing with a firm. The buyer contacts the seller directly and they agree to have a third party buy the house after the listing firm's exclusive right to sell expires. The third party then transfers the house to the buyer. Does the seller owe the listing firm a commission?
 - a. The seller does not owe the firm a commission because the listing expired before the sale.
 - b. If the listing firm can prove collusion, the seller will owe a commission.
 - c. The firm must sue both the buyer and the seller for a commission.
 - d. The firm did not earn a commission because the sale did not occur during the term of the listing.
20. Over the past year a seller has paid \$850 in condominium association fees of which \$600 has been used. According to the listing contract, what happens to the surplus at closing?
 - a. It is owed to the seller.
 - b. It is a credit to the buyer.
 - c. It stays with the association.
 - d. It can be used to pay the listing firm's commission.

QUIZ ANSWER KEY

1. **A:** The listing contract employs only the listing firm. The listing firm engages licensees to provide services on behalf of the listing firm.
2. **D:** On lines 52-53, a listing firm indicates how much compensation the listing firm is offering to a cooperating firm.
3. **A:** Line 29 of the WB-1 states that the, "Seller shall pay firm's commission, which shall be earned if,....Line 33 during the term of this listing a transaction occurs which causes an effective change in ownership or control of all or any party of the property."
4. **D:** Lines 159-166, 205-219, and 220-224 of the WB-1 Residential Listing Contract define protected buyers and how the listing is extended for protected buyers.
5. **C:** Line 158 states, "Limiting the Firm's cooperation with other firms may reduce the marketability of the Property."
6. **C:** The WB-36 Buyer Agency/Tenant Representation Agreement creates an agency relationship between the firm and the buyer. If the firm and the buyer do not have a signed agency agreement, the buyer is the firm's customer, not a client.
7. **D:** The WB-1 Residential Listing Contract states on lines 264-266 that listing licensees do not have the authority to terminate the listing, amend the commission, or shorten the term of the listing because the listing contract is between the firm and the seller.
8. **C:** See lines 21-34 of the WB-36 Buyer Agency/Tenant Representation Agreement.
9. **A:** The parties to the offer to purchase are the buyer and the seller, not the listing firm and the buyer. If a buyer wants a seller to pay the buyer's firm, the buyer can make that a condition of the offer to purchase. The buyer must also give permission in the WB-36 Buyer Agency/Tenant Representation Agreement to accept compensation from the seller or seller's agent.
10. **C:** The seller's exclusive right to sell listing contract states the firm earns a commission regardless of who finds the buyer. The seller's open listing contract states that the seller will pay a commission if that firm finds a buyer. The firm with the open listing found a buyer and earned a commission. Because a buyer was found, the firm with the exclusive listing contract also earned a commission.
11. **C:** Lines 272-279 of the WB-1 Residential Listing Contract inform a seller that in the case of a buyer's breach of the sales contract, if the seller chooses to retain the earnest money as liquidated damages, the seller must pay the firm's advance fees first and then the seller and the firm will share any remaining amount.
12. **B:** WB-1 Residential Listing Contract, lines 207-219 and lines 220-224 create the protected buyer provisions. If the buyer attended an individual showing and the firm followed the protected buyer requirements, the seller owes the firm a commission.
13. **A:** Every contract to pay a commission to a real estate agent or firm for selling or buying real estate shall be void unless such contract describes that real estate; expresses the price for which the same may be sold or purchased; the commission to be paid and the period during which the agent or firm shall procure a buyer or seller; is in writing; and is subscribed by the person agreeing to pay such commission.

14. **B:** The listing contract is not an agreement between a buyer and a seller but it is a promise by the seller to pay the firm a commission if the firm finds a buyer. It is not an implied contract because the parties created it intentionally. Implied contracts occur when a party's behavior leads another party to believe there is a contractual relationship.
15. **D:** Wis. Stat. § 240.10 Fraudulent Conveyances and Contracts Relating to Real Estate: Every contract to pay a commission to a real estate agent or firm or to any other person for selling or buying real estate shall be void unless such contract or note or memorandum thereof describes that real estate; expresses the price for which the same may be sold or purchased, the commission to be paid and the period during which the agent or firm shall procure a buyer or seller; is in writing; and is subscribed by the person agreeing to pay such commission, except that a contract to pay a commission to a person for locating a type of property need not describe the property.
16. **B:** The WB-36 can be modified to carry out the intention of the parties and that includes creation of a general agency agreement.
17. **C:** $\$90,000$ (selling price of property) \times $.07$ (7% commission) = $\$6,300$ commission paid to the firm. In this transaction, commission is a percentage of the purchase price, not the listing price.
18. **A:** The WB-36 Buyer Agency/Tenant Representation agreement can be used by buyers looking to purchase property or tenants who want an agent to secure leases for property. A buyer does not need a buyer agency agreement when purchasing or leasing real estate. Many buyers do so without entering into a buyer agency agreement. The terms of the WB-36 state that a buyer's firm can act as an agent for other buyers. A buyer agency agreement does not prohibit a buyer from working with another licensee or even negotiating a transaction without a licensee but the buyer may still owe a commission to the firm depending on the terms of the agency agreement.
19. **B:** Lines 159-166, 205-219, 220-224, of the WB-1 Residential Listing Contract create a firm's right to collect a commission if a property sells to a protected buyer during the extension of listing period. The buyer and the seller's use of a third party would probably not defeat a firm's claim to a commission under the protected buyer and extension of listing provisions.
20. **C:** Lines 11-12 of the WB-4 Residential Condominium Listing Contract-Exclusive Right to Sell "Seller is including in the list price the Property, Seller's interests in any common surplus and reserves of the Condominium allocated to the Property..."

4 | Disclosure

CASE STUDIES

1. A licensee frequently lists properties without first inspecting them. Twice a month, the licensee coordinates inspections of the recently listed properties in an effort to save travel time and gas. The licensee always completes the inspection before showing the property but not always before taking the listing. Is this permissible?
2. A listing licensee is negotiating a contract. The seller's attorney told the listing licensee not to tell the seller about any defects or material adverse facts the licensee observes when inspecting the property. The listing licensee feels very uncomfortable with what the seller's attorney is trying to do. How should listing licensee proceed?
3. A selling licensee walked the parameters of a vacant property with a buyer and pointed out the location of the lot lines. Based on the selling licensee's identification of the lot lines, the buyer bought the lot intending to build the buyer's dream home. Before building the house, the buyer had a survey completed and found out that selling licensee had incorrectly identified the lot lines and the buyer could not build the house as designed. What recourse does the buyer have? What liability does the selling licensee have? Does the listing firm have any liability?

CASE STUDIES ANSWER KEY

1. No. This practice violates REEB 24.07. Licensees must inspect properties before listing them unless the agent is not given access to the property.
2. A licensee cannot waive or restrict the licensee's duties under REEB 24.07, even at the direction of a party or a party's attorney. A licensee must disclose material adverse facts to all parties, including the seller, in writing and in a timely fashion.
3. A licensee should not represent lot lines to a prospective buyer unless the licensee qualifies the representation with the source of the information. For example, the licensee may obtain lot line information per survey, tax key record, or legal description. A licensee should always encourage a buyer to consult a survey to confirm the lot size or property dimensions. Licensees should caution sellers against representing lot dimensions to prospective buyers. If the buyer reasonably relied on the licensee's representation of the lot size, the selling licensee might be held liable for damages due to the representation. A listing firm is liable for a selling licensee's misrepresentation if the listing firm knew or should have known about the misrepresentation.
4. Because the insulation may contain asbestos, the agent should disclose this as information that suggests a material adverse fact and direct the parties to the appropriate experts for further information and investigation. The licensee does not need to confirm that it is asbestos or that the licensee has any expert knowledge about asbestos.
5. The seller only has to disclose known defects, which would include the presence of lead-based paint or lead-based paint hazards. Before a seller must disclose something as a defect, the seller must be aware of the condition. The seller does not have to test the paint or determine if there is lead in it. Because the seller is not aware of lead in the paint, the seller does not have to disclose this as a defect on a real estate condition report. A licensee however, must disclose material adverse facts and information suggesting material adverse facts. Chipping and peeling paint in target housing is information that suggests a potential material adverse fact and a licensee should disclose this information and refer the buyer to experts if the buyer needs additional information about the paint.
6. This transaction has closed so the licensee no longer has a role in any continued negotiations between the current and former property owners. Giving advice or assisting in the situation could expose the licensee to potential liability. The licensee should refer the buyer to an attorney. If a buyer is claiming misrepresentation, the buyer will usually have to show that the seller knew there were defects and the seller concealed them or failed to disclose them. If the licensee thought that this was information that suggested a material adverse fact, the licensee would have been obligated to disclose it to all parties in a timely manner.

TRUE/FALSE

1. T/F Prior to listing a property, a listing licensee must inspect the property and ask the seller about the condition of the property.
2. T/F The listing licensee's inspection should consist of operating mechanical equipment, moving furniture, and crawling on the roof.
3. T/F A licensee becomes aware of a lead hazard in a property. The licensee must disclose this to both the seller and the potential buyer in writing and in a timely fashion.
4. T/F A third-party inspector does not find any defects during a home inspection. The licensee reviews the inspection report and it is consistent with the licensee's knowledge of the property. The buyer delivers the report to the seller. If a buyer finds a defect after closing, the listing firm should not be held liable.
5. T/F The selling licensee becomes aware of an adverse fact because it is disclosed on the buyer's home inspection report. The selling licensee has no duty to disclose this information to the buyer or seller.
6. T/F A seller must complete a real estate condition report for the sale of a duplex that the seller has never occupied.
7. T/F If the buyer of a single-family home does not receive a real estate condition report within 10 days of acceptance, the buyer can rescind the offer.
8. T/F A personal representative is selling a single-family home. The personal representative has not lived in the home. The personal representative must complete a real estate condition report.
9. T/F The buyer receives a real estate condition report before writing an offer. The report disclosed a leak in the basement. Before closing, the buyer wants to rescind the offer because of the leak in the basement. The buyer does not have any rescission rights.
10. T/F Wisconsin law does not permit "as-is" sales.
11. T/F Asbestos is most dangerous when it is in a friable state.
12. T/F The EPA may seek penalties if a violation of the lead-based paint disclosure law is committed knowingly and willfully.
13. T/F A seller can accept an offer to purchase on target housing without the lead-based paint addendum as long as the buyer receives the addendum prior to closing.
14. T/F All USTs must have a tightness test done every two years.
15. T/F The Department of Natural Resources regulates underground storage tanks.
16. T/F In Wisconsin, a licensee must always disclose the presence of any known sex offender.
17. T/F A seller must provide a potential buyer with condominium disclosure documents within 10 days of accepting the offer and not less than 15 days before closing. After receiving the documents, the buyer has a five business day right of rescission.

TRUE/FALSE ANSWER KEY

1. **True.**
2. **False:** A licensee must look for obvious defects in a structure. Mechanical or structural knowledge is not a requirement of a licensee.
3. **True.**
4. **True.**
5. **True.**
6. **True.**
7. **True.**
8. **False:** Personal representatives who have not lived on the property for sale do not need to complete a real estate condition report.
9. **True.**
10. **False:** A seller can sell “as-is” but a buyer still retains a right to rescind an offer to purchase if the seller does not provide a real estate condition report within 10 days of accepting an offer.
11. **True.**
12. **True.**
13. **False:** Every contract for the sale or lease of target housing must include the lead-based paint addendum. Sellers of target housing cannot accept any offer until all of the steps referred to in Addendum S have been completed.
14. **False:** Only residential USTs that have 1,100 gallon capacity or larger are required to have a tightness test every two years.
15. **False:** The Department of Agriculture, Trade and Consumer Protection regulates underground storage tanks.
16. **False:** A licensee does not need to disclose any information about a sex offender if the licensee provides written information for Wisconsin’s sex offender registry that includes the Department of Corrections’ website and phone number.
17. **True.**

QUIZ

1. A buyer told a licensee that the buyer cannot live in a house that has or had cats. What are a licensee's responsibilities to the buyer?
 - a. Ask all property owners if there have been cats on the property.
 - b. Hire a third-party inspector to investigate for the presence of cats.
 - c. Disclose to the buyer the presence of cats, if known.
 - d. Say nothing because cats are not considered a material adverse fact.
2. Which of the following must a licensee disclose to a buyer with children?
 - a. The seller failed to have the required tightness test conducted on the underground storage tank.
 - b. The house has been on the market for years because of a murder-suicide that occurred on the property.
 - c. A sex offender has just been released from prison and has moved into the neighborhood.
 - d. The home inspector found significant structural damage to the property, which is outlined in the inspector's report provided to the buyer and the seller.
3. What can a potential buyer do if a condominium seller provides condominium documents to the buyer 15 days prior to closing?
 - a. The buyer may rescind the contract.
 - b. The buyer must purchase the unit but can hold the seller liable for damages.
 - c. The seller can let the buyer out of the contract but gets to keep the buyer's earnest money.
 - d. The seller can enforce the terms of the purchase contract and force the buyer to buy the condominium.
4. Within how many days of an accepted offer must a seller of a 1-4 family property provide a buyer with a real estate condition report?
 - a. 5 days.
 - b. 10 days.
 - c. 15 days.
 - d. 20 days.
5. What must a property owner do after purchasing a property with a 1,200 gallon underground storage tank?
 - a. Register the tank with the DNR.
 - b. Remove the tank.
 - c. Register the tank with Department of Agriculture, Trade and Consumer Protection.
 - d. Drain the tank and fill it with sand.
6. What type of gas is thought to cause lung cancer after long-term exposure?
 - a. Carbon dioxide.
 - b. Carbon monoxide.
 - c. Radon.
 - d. Hydroxide.
7. A seller is selling a single-family home built in 1960 "as-is." Which form must the seller include in any negotiations?
 - a. A real estate condition report.
 - b. A lead-based paint addendum.
 - c. A counter-offer.
 - d. A separate agency disclosure form.

8. A firm lists a property in “as-is” condition. The seller disclosed to the listing firm that the roof leaks, the furnace is 30 years old, and the plumbing needs repairs. A buyer writes an offer on the property and neither the seller nor the listing licensee disclose any of the problems with the property because the seller listed it “as-is.” Which of the following statements is true?
 - a. The seller does not have to disclose conditions as long as the buyer writes an offer knowing it is listed “as-is.”
 - b. The listing licensee does not have to disclose conditions as long as the seller is selling it “as-is.”
 - c. A licensee must disclose an “as-is” property’s material adverse facts.
 - d. A seller cannot list a property “as-is” when the property has condition problems.
9. When must a seller complete a real estate condition report?
 - a. Only if the seller wants the property listed in the MLS.
 - b. Only when the seller is listing the property with a firm.
 - c. If the property is sold for sale by owner or listed by a firm.
 - d. Only when the seller is selling the property without listing it.
10. By when must a seller comply with lead-based paint disclosure obligations?
 - a. Before closing if the buyers have children.
 - b. Before binding acceptance of a buyer’s offer.
 - c. Before a buyer drafts an offer.
 - d. Before completing the real estate condition report.
11. What is a party required to do under the lead-based paint disclosure law?
 - a. A buyer must conduct a lead-based paint inspection before closing.
 - b. A seller must remediate all lead-based paint hazards according to a buyer’s specifications.
 - c. A buyer must rescind a purchase agreement if the listing firm does not provide lead-based paint disclosures prior to closing.
 - d. A seller must give a buyer an opportunity to conduct a risk assessment or inspection for the presence of lead-based paint.
12. A seller wants to fix a leaky roof before listing the property with a firm. The seller does not want to spend any money on the repairs and hires a local high school student who took a woodworking class in high school to fix the roof. The seller does not mention anything about the roof to the listing licensee. A buyer submits an offer, which the seller accepts. After the transaction closes, the roof leaks and damages a hardwood floor the buyer installed. Which party could be liable to the buyer for damages?
 - a. The seller.
 - b. The listing firm.
 - c. Both the seller and the listing firm.
 - d. Neither the seller nor the listing firm.
13. What information must a salesperson include in advertisements for real estate on the salesperson’s website?
 - a. The licensee’s firm’s name.
 - b. The listing price.
 - c. The address of the advertised property.
 - d. A list of personal property the seller is including in the sale.

14. What material is most dangerous in its friable state?
- Radon.
 - Lead.
 - Asbestos.
 - Mercury.
15. Which of the following is true of a transaction where a buyer received a real estate condition report before writing an offer on a property?
- A buyer can require the seller to repair all defects on the property prior to closing.
 - A seller can cancel the transaction if a buyer requires repairs prior to closing.
 - A buyer cannot rescind an offer based on a condition that the seller disclosed in the seller's real estate condition report.
 - A buyer cannot include an inspection contingency in an offer if a seller provided a real estate condition report before the buyer wrote an offer.
16. A salesperson attends a home inspection with some prospective buyers. The salesperson reviewed a copy of the home inspection report and did not notice any information that contradicted the salesperson's knowledge of the property. After closing, the buyer discovers that the property's frame had suffered extensive water damage at some time in the past. Who may the buyer hold liable for damages due to the defect?
- The salesperson is liable for not discovering the damage to the frame.
 - The salesperson can be held liable unless the salesperson fulfilled disclosure and inspection obligations.
 - The salesperson can be held liable if the salesperson drafted the offer containing a home inspection contingency.
 - The home inspector may be held liable for not competently performing the inspection and discovering the damage.
17. When does Wisconsin's seller disclosure law require a seller to complete a real estate condition report?
- If the property includes 1-4 dwelling units.
 - If the property is located in Illinois but owned by Wisconsin residents.
 - If the property was built before 1978.
 - If the property contains five or more dwelling units.
18. When could a listing firm be found liable for misrepresentation?
- If a cooperating firm misrepresents information to the buyer.
 - If a listing agent misrepresents information to the buyer.
 - If a seller misrepresents information to the buyer.
 - If a buyer's firm misrepresents information to the buyer.
19. Which of the following does a listing licensee not have to do when listing a property?
- Visually inspect the property.
 - Ask the seller about the condition of the property.
 - Disclose adverse facts in writing even if the seller is unaware of the facts.
 - Provide any potential buyer with all information provided by the seller related to the property.

QUIZ ANSWER KEY

1. **C:** REEB 24.07(2) a licensee may not exaggerate or misrepresent facts in the practice of real estate. A licensee, when engaging in real estate practice, shall disclose to each party, in writing and in a timely fashion, all material adverse facts that the licensee knows and that the party does not know or cannot discover through a reasonably vigilant observation, unless the disclosure of the material adverse fact is prohibited by law. This provision is not limited to the condition of the property, but includes other material adverse facts in the transaction. A licensee is not required to retain third-party inspectors or investigators to perform investigations of information suggesting the possibility of a material adverse fact to the transaction.
2. **A:** A licensee does not have to disclose information about stigmatized properties or information that is found in a third-party's report if all of the parties have received the report. A licensee must disclose actual knowledge about sex offenders but a licensee is immune from disclosing this information as long as the licensee provides the requesting party with written information containing the website and toll-free phone number for the Wisconsin Department of Corrections' sex offender registry.
3. **A:** A buyer may, at any time within five business days following receipt of the condominium disclosure documents or following notice of any material changes in the documents, cancel in writing the contract for sale and receive a full refund of any deposits made.
4. **B:** Wis. Stat. 709 states that a seller shall furnish, not later than 10 days after acceptance of the contract of sale, to the prospective buyer of the property a completed copy of the seller's condition report. A prospective buyer who does not receive a report within 10 days may, within two business days after the end of that 10-day period, rescind the contract of sale.
5. **C:** Wisconsin law requires the owners of property with existing, unregistered storage tanks to register them with the Department of Agriculture, Trade and Consumer Protection.
6. **C:** Radon is an odorless radioactive gas that can enter a home through cracks in the foundation or drains in the floor. It is thought to be the second-leading cause of lung cancer.
7. **B:** All contracts to sell target housing must include an attachment containing federally mandated disclosure and acknowledgment elements. An "as-is" sale can close even if a seller does not prepare a real estate condition report. Parties must disclose agency in writing but it does not need to be on a separate form. The listing contract and buyer agency agreement provide agency disclosure. A party does not need to issue a counter-offer unless a party wants to counter terms of a current offer.
8. **C:** REEB 24 Conduct and Ethical Practices for Real Estate Licensees. A licensee's disclosure duties are separate from the seller's disclosure duties. The licensee must disclose any material adverse facts and information that suggests material adverse facts. Disclosure must be in writing and provided to all parties in a timely manner.
9. **C:** Wis. Stat. 709 requires sellers to disclose defects or conditions affecting the property by completing a real estate condition report. It does not matter whether the property is listed or the seller is selling without the assistance of a licensee.
10. **B:** Sellers must provide buyers with a 10-day opportunity to conduct a risk assessment or inspection for the presence of lead-based paint or lead-based paint hazards. Disclosure requirements must occur prior to binding acceptance of a contract.

11. **D:** The lead-based paint law helps to ensure buyers can make an informed decision about a property that potentially contains lead-based paint. A party does not have to test for lead-based paint. If a seller fails to comply with the law, the parties can still execute a valid transfer but the EPA, as the federal enforcement agency, can seek penalties for sellers or agents involved if they do not comply with the law. Penalties for knowing and willful violations of the law include fines, civil penalties, and potential damages from a lawsuit.
12. **A:** The seller did not disclose the roof damage and repair to the listing licensee. A listing licensee is not a roof expert and does not have to be able to determine that the roof was damaged and repaired. Because the listing licensee does not have knowledge of the issue, the listing licensee does not have to disclose anything. A seller who does not disclose a defect such as an inadequately repaired roof could be liable for misrepresentation if a buyer incurs harm due to the seller's actions.
13. **A:** REEB 24.04(b) Except for advertisements for the rental of real estate owned by the licensee, a licensee associated with a firm shall advertise under the supervision of and in the name of the firm.
14. **C:** Asbestos is a naturally occurring mineral found in soil and rock in some areas of the United States. Asbestos poses the most risk when it is in a friable state.
15. **C:** Wis. Stat. 709 states that a buyer may not rescind a contract based on a defect if the seller disclosed the defect in a real estate condition report that the buyer received before submitting an offer.
16. **D:** REEB 24.07(5) Conduct and Ethical Practices for Real Estate Licensees: If a licensee or a party in a transaction engages the services of a qualified third party to conduct a property inspection or investigation of material facts, the licensee may rely on the results of the inspection or investigation if the licensee obtains a written report of the inspection or investigation and delivers a copy of the report to all interested parties in a timely manner.
17. **A:** Wis. Stat. 709 requires seller disclosure on transactions involving properties that include 1-4 dwelling units.
18. **B:** Wis. Stat. 452.139(2)(b) A firm that is providing brokerage services to a client and that retains another firm to provide brokerage services as a subagent is not liable for a misrepresentation made by the subagent or any licensee associated with the subagent, unless the firm knew or should have known of the misrepresentation or the subagent or licensee is repeating a misrepresentation made to by the firm or any licensee associated with the firm.
19. **D:** Licensees must visually inspect a property, ask the seller to complete a real estate condition report, and disclose all material adverse facts. A licensee does not have to disclose all information a seller provides and cannot disclose information that a seller provides if that information is confidential.

5 | Fair Housing

CASE STUDIES

1. A property owner refused to renew a tenant's lease. The tenant suffered a traumatic brain injury and now has a history of making rude, threatening, and sexual comments to other tenants. Is the tenant disabled according to fair housing laws? Must the property owner renew the lease?
2. A listing firm is listing a property for a seller. The seller has given the neighboring property owner a right of first refusal. A buyer writes an offer on the property. The licensee and the seller know that the buyer has mental health problems that are not always treated properly. The buyer can sometimes be threatening when not receiving adequate care for the mental illness. Can the seller or the licensee disclose this to the neighbor with the right of first refusal when presenting the buyer's offer for review? The neighbor has small children. Can the licensee disclose the buyer's mental health problems as a material adverse fact to the neighbor with the right of first refusal?
3. A property owner does not permit pets in rented units. A tenant with a current lease has a panic disorder and her physician prescribed keeping a dog as a companion as part of her therapy. Can she have a dog in a no-pet unit?

CASE STUDIES ANSWER KEY

1. The tenant is disabled for purposes of fair housing law if the tenant's brain injury impairs daily life activities. If the tenant does not self-identify as disabled but the tenant's behavior causes other to regard the tenant as disabled, the tenant is disabled for purposes of the protections of fair housing laws. Even though the tenant is probably disabled according to fair housing law, the property owner does not have to renew the lease and can deny housing because the tenant's behavior poses a threat to the health and safety of other tenants.
2. The seller and the listing firm cannot disclose this information to the neighbor when presenting the buyer's offer for the neighbor's review. Recall that the listing licensee can disclose the terms of a buyer's offer to a person holding a right of first refusal on a property so that the person with the right of first refusal can decide whether to exercise that right. Disclosing the buyer's health status would violate the buyer's rights under fair housing law. Licensees must disclose all material adverse facts in writing to all parties in a timely manner unless prohibited by law. Disclosing a person's potential disability or other health issues is prohibited by law. Additionally, the licensee does not owe disclosure duties to the neighbor holding the right of first refusal because the neighbor is not a party to the transaction. The right of first refusal agreement between the seller and the neighbor is a separate and distinct contractual relationship to which the licensee and the buyer are not parties. The listing licensee owes disclosure duties to all parties in a transaction, which in this case is the seller and the buyer, not the neighbor.
3. Probably. When a person is disabled according to fair housing law, a person can ask a property owner for a reasonable accommodation. In this case, the tenant would ask the property owner for a reasonable accommodation by way of keeping a dog in a no-pet unit. The property owner must provide the accommodation unless the property owner can show that permitting the dog would create an undue burden or that the accommodation the tenant requested is unreasonable. There is a California court case where the property owner did not permit a tenant with a panic disorder to keep a dog as part of her therapy. The court awarded \$100,265 in damages to the woman.

TRUE/FALSE

1. T/F In Wisconsin, a property owner can refuse to rent a three-bedroom unit to an unmarried couple with a child because they are unmarried.
2. T/F A tenant has a past diagnosis of depression but is currently enjoying good mental health. The tenant still is disabled according to federal fair housing laws.
3. T/F An advertisement that describes housing as "wheelchair accessible" violates fair housing law.
4. T/F It is permissible for a buyer to purchase a property based on the racial diversity of the neighbors.
5. T/F It is permissible for a licensee supply a buyer with information on the religious statistics about people that live in a certain neighborhood.
6. T/F Placing an advertisement in the paper wishing the public a Merry Christmas and including a picture of Santa Claus constitutes a violation of fair housing law.
7. T/F The ADA requires a firm to provide auxiliary aids and services.

TRUE/FALSE ANSWER KEY

1. **False:** By refusing to rent a three-bedroom unit to an unmarried couple with a child, a property owner may be discriminating on the basis of both marital and familial status.
2. **True.**
3. **False:** An advertisement can state a reference to a protected class if the advertisement is part of an affirmative marketing program designed to attract persons who would not ordinarily be expected to apply for housing.
4. **True.**
5. **False:** A licensee may not supply demographic information to a buyer.
6. **False:** HUD has found that using secularized terms or symbols relating to religious holidays does not constitute a violation of the Fair Housing Act.
7. **True.**

QUIZ

1. Which of the following is permitted discrimination?
 - a. A property owner refusing to rent to a tenant with a service animal because the property owner resides in the property and is allergic to the animal.
 - b. An insurer charges women homeowners higher insurance because they earn less than men.
 - c. A licensee solicits a listing by telling a seller the ethnicity of the last three buyers who purchased property within a three block area around the seller's house.
 - d. A seller turns down an offer from buyer with a history of mental health issues because the neighbors have children.

2. A listing licensee receives three offers on a listing. The seller told the licensee that the seller will not sell to buyers who are members of a specific ethnic group. One of the offers is from a buyer who is a member of that group. What must the licensee do?
 - a. Submit the highest offer without regard to which buyer submitted it.
 - b. Submit the offer that is in the seller's best interest.
 - c. Submit all three offers.
 - d. Withhold the buyer's offer according to the instructions of the seller.

3. What should a salesperson do when a buyer expresses an interest in purchasing a property in an ethnically diverse neighborhood?
 - a. Provide the buyer with a map showing ethnic statistics for neighborhoods across the city.
 - b. Take the buyer to the ethnically diverse part of town to look for open houses.
 - c. Refuse to work with the buyer because the buyer's request violates fair housing laws.
 - d. Give the buyer access to a computer so that the buyer can select neighborhoods in which to begin looking at properties.

4. Which of the following can a licensee do without violating fair housing laws?
 - a. Provide more services to married couples.
 - b. Offer certain services only to consumers 55 and older.
 - c. Refuse to work with buyers using government grants for down payments.
 - d. Not take a listing from a discriminatory seller.

5. How much does a licensee's intent affect a person's ability to make a discrimination complaint against the licensee?
 - a. Discrimination must be intentional to be grounds for a complaint.
 - b. The complainant must show that the licensee's intention caused harm.
 - c. The licensee's intent does not matter if discrimination occurred.
 - d. The licensee's intent must have prevented a person's access to housing.

6. A real estate agent is showing a property to an African American married couple. The couple writes an offer that fulfills all the terms of the seller's listing contract. Which of the following is a discriminatory action?
 - a. The seller rejects the offer because the buyers are African American.
 - b. The seller cancels the listing.
 - c. The seller rejects the offer because it is too low.
 - d. The seller rejects the offer, terminates the listing, and markets the home without a firm.

7. What can Wisconsin municipalities do to regulate fair housing?
 - a. Enact local fair housing ordinances that surpass the requirements at the state level.
 - b. Enact only local fair housing ordinances that are equal to state laws.
 - c. Not enact local fair housing ordinances.
 - d. Enact fair housing ordinances without any restrictions from the state.
8. Which property transaction is regulated by Wisconsin fair housing laws?
 - a. Rental of a single-family home.
 - b. An exchange of a factory building.
 - c. Lease of a vacant warehouse.
 - d. The sale of a retail store.
9. A buyer asks a licensee about the racial demographics of a neighborhood high school. Can the licensee provide this information?
 - a. No, providing this information violates fair housing laws.
 - b. Only if the licensee provides the information to all buyers looking in that school district.
 - c. Licensees must make this information readily available to all consumers.
 - d. The licensee can only provide this if using statistical information provided by the school board.
10. Can a licensee refuse a listing if a seller directs the licensee to only present offers from Christian buyers?
 - a. A licensee cannot refuse because the seller's religious practices are protected under fair housing laws.
 - b. Yes, because only presenting offers from a particular religious group violates fair housing laws.
 - c. No, because the seller could claim that refusing the listing is discriminatory.
 - d. The licensee can refuse the listing if the licensee is not a practicing Christian.
11. Who pays for auxiliary aids and services for consumers in a real estate office?
 - a. The buyer if the buyer does not sign a buyer agency agreement.
 - b. The firm if the buyer signs an agency agreement.
 - c. The firm.
 - d. The listing firm if the buyer is a customer.
12. What is it called when a licensee represents that a change may occur in a neighborhood based on who is or might be buying property in the neighborhood?
 - a. Steering.
 - b. Redlining.
 - c. Blockbusting.
 - d. Suburban flight.
13. Which of the following is a violation of Wisconsin's fair housing laws?
 - a. A property owner refuses to rent to students.
 - b. A firm refuses to list a house for a married couple because they smoke.
 - c. A property manager will not show an upper-level two-bedroom unit to a single mother of two.
 - d. A seller is refusing to sell a property to a buyer who uses illegal drugs.
14. Which of the following is not prohibited discrimination?
 - a. Asking a person's age when discussing the construction of residential housing.
 - b. Asking a person's gender when discussing a lease for an apartment.
 - c. Charging a borrower a higher interest rate based upon the location of the property.
 - d. Asking the age of a person seeking housing for older persons.

15. Which of the following is prohibited under fair housing law?
 - a. Refusing to lend money to a member of a protected class because of poor credit.
 - b. Inducing homeowners to sell because interest rates are good and buyers are plentiful.
 - c. Advertising a property as being in “a quiet Catholic neighborhood.”
 - d. Showing a member of a protected class specific properties in specific neighborhoods at the buyer’s request.
16. What should a licensee do if a member of a religious group asks to see property in a neighborhood that the licensee knows is predominately inhabited by members of a different religious group?
 - a. Show homes in the selected neighborhood and show homes in neighborhoods more closely aligned with the buyer’s religious practices.
 - b. Show the homes as requested.
 - c. Explain to the buyer that showing homes in that neighborhood would be an example of prohibited steering.
 - d. Hope that the buyer buys in the selected neighborhood so the licensee can “break into” that market and garner some new listings.
17. What must a licensee do according to fair housing laws?
 - a. Show all houses to all prospects.
 - b. Treat all prospects equally.
 - c. Never turning down a listing from a member of a protected class.
 - d. Post a fair housing poster in the firm’s rest rooms.
18. Which of the following is not a basis for housing discrimination?
 - a. Race.
 - b. National origin.
 - c. Gender.
 - d. Financial limitations.
19. Who is responsible for ensuring compliance with fair housing law in a real estate transaction?
 - a. The public.
 - b. The seller.
 - c. The licensee.
 - d. The buyer.
20. What should a licensee do if a salesperson steers a member of a protected class to view properties in a particular neighborhood?
 - a. Trust that the salesperson has discerned the buyer’s preference.
 - b. Educate the salesperson about housing discrimination.
 - c. Nothing as long as the buyer is satisfied with the services.
 - d. Congratulate the salesperson on helping the buyer in the search.
21. What is the act of an insurance company refusing to issue policies on properties in specific neighborhoods?
 - a. Blockbusting.
 - b. Redlining.
 - c. Steering.
 - d. Drafting.

QUIZ ANSWER KEY

1. **A:** A property owner renting owner-occupied housing can refuse to rent to a tenant with a service animal if the property owner or family member living in the property is allergic to the animal and can provide a physician's certification of the allergy.
2. **C:** Wis. Stat. 106.5(2)(a) Open Housing: It is unlawful for any person to discriminate by refusing to sell, rent, finance or contract to construct housing or by refusing to negotiate or discuss the terms thereof.
3. **D:** A buyer can use demographic information to identify areas for potential purchases. After the buyer indicates area preferences, the salesperson can show properties in those areas. Licensees should not distribute demographic information to a buyer. A licensee can provide buyers with resources like computers, internet access, and phone numbers to local agencies so that buyers can conduct demographic research.
4. **D:** If a seller gives discriminatory instructions to a licensee, the licensee does not need to and probably should not work with that seller.
5. **C:** A licensee does not need to intend to discriminate for a violation to occur. If a person perceives a licensee's actions as discriminatory, that is sufficient basis for a potential finding of discrimination and a violation of the fair housing laws.
6. **A:** Rejecting an offer because the buyers are members of a protected class is housing discrimination. A seller can choose to terminate a listing, can reject any offer and hope for a better one, and market the home without a firm.
7. **A:** Local levels of government can create additional protected classes but cannot refuse to recognize state and federal protected classes.
8. **A:** Wisconsin fair housing laws govern property transactions involving dwellings.
9. **A:** A licensee should not distribute materials and statistics containing data or information relating to protected classes. The licensee can refer the buyer to local agencies for this information.
10. **B:** Licensees may not discriminate against, deny equal services to, or be a party to any plan or agreement to discriminate against any person in any manner unlawful under applicable federal, state, or local fair housing laws.
11. **C:** The Americans with Disabilities Act (ADA) requires places of public accommodation to provide equal access and services to persons with disabilities. A real estate office is a place of public accommodation.
12. **C:** Blockbusting is the practice of exploiting prejudices and creating fear of a decline in real estate values to induce homeowners to sell their properties at a low price.
13. **C:** Students, smokers, and illegal drug users are not protected under Wisconsin's fair housing Laws. A mother with children is protected under familial status.

14. **D:** Wis. Stat. 106.04(2) It is unlawful for any person to discriminate by refusing to sell, rent, finance, or contract to construct housing, by refusing to discuss the terms thereof, by refusing to permit inspection or exacting different or more stringent price, terms, or conditions for the sale, lease, financing or rental of housing, or for a person in the business of insuring against hazards, by refusing to enter into, or by exacting different terms, conditions or privileges with respect to a contract of insurance against hazards to a dwelling. It is permissible for an owner or an agent to require a person seeking housing for older people to supply age.
15. **C:** An advertisement specifying a “Catholic neighborhood” violates fair housing advertising rules.
16. **B:** If a buyer identifies a property or neighborhood when looking for a property, a licensee should show the buyer the property or homes in the identified neighborhood.
17. **B:** Many buyers and sellers may be unaware of fair housing laws and may intentionally or unintentionally violate them through their actions. A licensee may have to educate buyers and sellers to make sure parties are complying with fair housing laws and a licensee must comply with fair housing laws to provide equal opportunity to housing for all people.
18. **D:** Financial limitation is not a protected class.
19. **C:** Licensees may have to educate parties about fair housing laws and if a licensee is working with a party who will not comply with fair housing law, the licensee should consider refusing to continue in the transaction.
20. **B:** Steering is the illegal practice of channeling home seekers to or away from certain areas.
21. **B:** Redlining is a lender’s refusal to lend or an insurance company’s refusal to insure property within a geographic area on the belief those loans or insurance policies in the area would be of high risk.

6 | Valuation

TRUE/FALSE

1. T/F When conducting a comparative market analysis, licensees most frequently use the principle of increasing and decreasing returns.
2. T/F An example of contribution would be a homeowner adding a deck and increasing the property's value.
3. T/F There is a difference between market value and market price.
4. T/F A seller hires a real estate licensee to provide an appraisal for a buyer who is applying for financing.
5. T/F The market data approach is the most reliable method for analyzing the value of a single-family home.

TRUE/FALSE ANSWER KEY

1. **False:** A comparative market analysis relies most heavily on the principle of substitution.
2. **True.**
3. **True.**
4. **False:** A real estate licensee will conduct a market analysis but does not conduct appraisals.
5. **True.**

QUIZ

1. Why does a licensee conduct a comparative market analysis?
 - a. To determine the insurable value of a property.
 - b. To evaluate current market conditions.
 - c. To anticipate future market conditions.
 - d. To estimate the most probable selling price of a property.
2. Which value is most similar to a property's market price?
 - a. Insured value.
 - b. Mortgage value.
 - c. Depreciated value.
 - d. Market value.
3. For which property is the direct market comparison most useful when determining market value?
 - a. An older residence.
 - b. A remodeled office building.
 - c. An apartment building.
 - d. A store building.
4. Which of the following is not part of the definition of market value?
 - a. Both buyer and seller must be well informed.
 - b. Market value is the average price a property will bring.
 - c. Both buyer and seller must act without undue pressure.
 - d. Payment must be made in cash or its equivalent.
5. Which condition would have the least effect on a home's value?
 - a. Vacant lots.
 - b. Mixed residential and commercial uses.
 - c. Large homes converted to small apartments.
 - d. Homes significantly lower in value than the subject property.
6. What should a salesperson do when a seller asks for a comparison of recent neighborhood sales?
 - a. A local area appraisal.
 - b. An appraisal of market conditions.
 - c. A market feasibility study.
 - d. A comparative market analysis.
7. Which property is the most suitable comparison property if the subject property is a six-year-old home with three bedrooms, one and a half baths, and 1,500 square feet of living space?
 - a. A house with the same floor plan, which is located in a subdivision on the other side of town.
 - b. A house with the same floor plan and in the same community, which sold five years earlier.
 - c. A house with the same floor plan located in the same subdivision, which sold a month ago.
 - d. A house which has 3,500 square feet of living space located in the same community, which sold last week.

8. What is the best comparable property for appraising a subject property?
 - a. A home sold by a seller facing foreclosure.
 - b. A similar home sold with favorable owner financing to the seller's sister.
 - c. A similar recently-sold home in the same neighborhood.
 - d. A similar home with a large tax lien for which the buyer will be responsible.

9. What is the difference between an appraisal and market value?
 - a. Objectivity.
 - b. Creativity.
 - c. Accountability.
 - d. Suitability.

10. What principle of value is represented by a developer purchasing a parking lot in a busy downtown area and replacing it with an office building?
 - a. Highest and best use.
 - b. Conformity.
 - c. Increasing and decreasing returns.
 - d. Substitution.

11. A builder developed a subdivision in which the demand for homes was great. The last home sold for a much higher price than the first lot had sold in the area. What principle of value does this illustrate?
 - a. Highest and best use.
 - b. Substitution.
 - c. Conformity.
 - d. Supply and demand.

12. To realize maximum value, a property should be in line with existing neighborhood standards of design, construction, size, and age. What principle of value does this demonstrate?
 - a. Anticipation.
 - b. Highest and best use.
 - c. Contribution.
 - d. Conformity.

13. What principle of value states that the maximum value of a property is set by the cost of producing an equally desirable property?
 - a. Supply and demand.
 - b. Conformity.
 - c. Anticipation.
 - d. Substitution.

14. Which of the following does an appraisal not help determine?
 - a. The listing price of the property.
 - b. The amount a lender will loan to a buyer.
 - c. Whether the owner of a home has enough equity to take out another loan.
 - d. The amount of a loan a seller can transfer to a buyer.

QUIZ ANSWER KEY

1. **D:** A licensee conducts a market analysis to determine the likely value of a property.
2. **D:** A property sells for its market price. A estimation of the price for which a property will sell to a buyer is its market value.
3. **A:** The market data approach is the most reliable approach to value for a single-family home.
4. **B:** Market value is not an estimate of the average price a property will bring but rather an opinion of value for which a property would likely sell to a buyer.
5. **A:** The principle of regression and progression means that a home's value would be more affected by nearby commercial development, conversion of neighboring homes to apartments, and nearby homes with significantly lower values than it would be by existing vacant lots.
6. **D:** A salesperson can perform a competitive market analysis but only a licensed appraiser can conduct an appraisal.
7. **C:** The market analysis approach to value compares the subject property to recently sold comparable properties. The selected comparable properties should be similar to the subject property in features, date of sale, age, condition, and location. A house with the same floor plan located in the same subdivision that recently sold will most accurately reflect the subject property's value.
8. **C:** The market analysis approach to value compares the subject property to recently sold comparable properties. The selected comparable properties should be similar to the subject property in features, date of sale, age, condition and location. A licensee must account for the terms of a property's sale when deciding whether it is an appropriate comparison property. A property that sold at foreclosure, with owner financing to a relative, or with a significant defect such as a tax lien is not a suitable comparable property unless the subject property shares the same characteristics.
9. **A:** Some functions of a real estate licensee and an appraiser are similar. Both develop an opinion of value based on the current real estate market but they do not determine or create value. The difference between a licensee's market analysis and an appraisal is that the appraiser does not have an interest in the value of the property and can be objective in the process.
10. **A:** A property's highest and best use is its most profitable use that is legal, financially feasible, physically possible, and maximally productive.
11. **D:** When a property is in high demand and low supply, it will sell for a higher price than if it was in low demand with a high supply. As the availability of lots in the subdivision decreased and the demand stayed the same, the price increased.
12. **D:** The principle of conformity states that a building's value in an area is higher if neighboring buildings are of a similar age, construction, use, and size.
13. **D:** The principle of substitution states that the maximum value of a property is established by the value of similar properties. Substitution is the most commonly used principle to determine value.
14. **D:** An appraisal can influence a listing price and determine what a lender is willing to lend to a buyer. A lender uses an appraisal to evaluate a seller's equity in the home if a seller applies for another loan. It does not determine the terms of a transferable loan.

7 | Real Property Ownership

CASE STUDIES

1. A licensee lists a duplex that has tenants in one unit. The tenants are not allowing agents in to show the unit to potential buyers. The tenants say they have to give permission for each showing. Does the licensee need the tenants' permission for each showing? What must the property owner do to allow the licensee to show the unit?
2. A licensee has been asked to list a mobile home. What does the licensee need to know before taking the listing?
3. Sellers are listing their home. Only one spouse is listed on the deed but the couple was married when they purchased the property and have lived there throughout the marriage. Who has to sign the offer and the deed?
4. The buyers wanted a complete list of items the seller wanted to include in the sale. The listing licensee prepared a two-page list of items with all interior items, such as draperies and appliances, on the first page and all exterior items, such as a gas grill and hammock, on the second page and faxed it to the buyer. The seller received and accepted an offer with only the first page of the two-page list. The seller gave a neighbor the gas grill, the hammock, and all the other exterior items because they were not a part of the offer. The buyer is unhappy with the listing licensee and the seller because the buyer wanted all of the items on the two-page list. What is the seller obligated to include in the purchase price?

CASE STUDIES ANSWER KEY

1. The licensee does not need permission from the tenants to conduct showings. The property owner must give tenants advance notice of entry to the unit but the property owner does not need consent or permission to enter the unit as long as the property owner fulfills the notice requirements. Advance notice is at least 12 hours unless a tenant consents to a shorter notice period. With advance notice, property owners can, at reasonable times and with or without tenant permission, enter the unit to inspect the premises, make repairs, or show the property to prospective tenants or buyers. The notice may be verbal or written so a phone call, written notice, and even an email could satisfy the notice requirements as long as it provided to the tenants at least 12 hours before entry. Entry at reasonable times usually means during normal business hours.
2. The licensee must first determine whether the mobile home is real or personal property. To be real property, the mobile home must be connected to utilities, on a foundation, and on land that is owned by the mobile home owner. If the mobile home is not on a foundation and is not on land owned by the mobile home owner, such as with mobile home parks where the mobile home owners lease a space, the mobile home is classified as a vehicle and is personal property. A licensee cannot use the state-approved real estate forms for the sale of personal property. If the mobile home is real property, the licensee can list it. To sell mobile homes that are personal property, a person must hold a recreational vehicle dealer.
3. If the property is a homestead, both spouses must sign the offer and the deed. Based on the facts in the question, this is probably their homestead even though only one spouse is listed on the deed. If only the spouse on the deed signed the offer and the deed transferring ownership, it could be an invalid transfer. Both spouses must sign a conveyance that transfers any interest in a homestead owned by a married person. A homestead is the dwelling and as much of the land around it as is necessary to use it, but not less than 1/4 acre and not exceeding 40 acres. If the couple had a marital property agreement making the house individual property, then only the spouse on the deed has to sign the offer and the deed.
4. The two-page list of items was a list of the items the seller was willing to include. The offer to purchase dictates what property is part of the transaction. When the offer to purchase did not mention the outside items, the seller reasonably assumed that the buyer did not want those items as part of the purchase and was free to give them to the neighbor. If the buyer instructed the agent who drafted the offer to include both pages of property and the agent failed to make those items a part of the offer, the agent may be liable for the buyer's loss in the transaction.

TRUE/FALSE

1. T/F The right of quiet enjoyment mandates that all property owners have the right to peace and quiet.
2. T/F Trade fixtures are the real property of the tenant.
3. T/F A mobile home is typically considered personal property.
4. T/F A freehold estate in land lasts for an unlimited duration and is a real property interest.
5. T/F The highest form of ownership is the fee simple defeasible estate in land.
6. T/F Under Wisconsin's homestead law, both spouses must sign a deed before title to a homestead can be transferred.
7. T/F Co-owners who hold title to a property as tenants in common hold their individual interests in severalty.
8. T/F Co-owners who hold title to a property as tenants in common do not automatically receive title upon the death of another owner.
9. T/F Co-owners who hold title to a property as tenants in common receive title without probate if a co-owner dies.
10. T/F Co-owners who hold title to a property as tenants in common can have unequal interest in title.
11. T/F A co-owner who holds title to a property as a tenant in common must receive consent from the other owners prior to selling their ownership interest in a property.
12. T/F A property is held in joint tenancy unless a deed states otherwise.
13. T/F To hold property in joint tenancy, total unity must exist.
14. T/F A joint tenant cannot file a partition suit against the other owners.
15. T/F A, B, and C hold title as joint tenants. C sells his portion to M. M will take title as a joint tenant with A and B.
16. T/F A married couple in Wisconsin is selling their primary residence. Only one spouse needs to sign the offer to purchase.
17. T/F All marital property will pass to the surviving spouse without probate.
18. T/F A married couple in Wisconsin owned property prior to 1/1/86. They are now getting a divorce. The property owned prior to 1/1/86 will be treated differently in the divorce than the property obtained after 1/1/86.

19. T/F The condominium unit is intended for individual use and the owner is entitled to exclusive ownership and possession of the unit.
20. T/F An advantage to owning a limited common element is that maintenance responsibilities are likely to be assigned to the association.
21. T/F All unit owners in a condominium will have an equal percentage interest in the common elements.
22. T/F A leasehold estate is a personal property interest.
23. T/F A leasehold estate will terminate upon the death of either the property owner or the tenant.
24. T/F Both the property owner and the tenant are required to make certain improvements during the term of all leases.
25. T/F A property owner that accepts a security deposit must give a tenant at least seven days from the start of the tenancy to inspect the unit for preexisting damages.
26. T/F A tenant signs a lease agreeing to clean the carpets at the end of the lease term. Upon surrender of the premises, the tenant does not clean the carpets. The property owner may withhold money from the tenant's security deposit to pay for carpet cleaning.

TRUE/FALSE ANSWER KEY

1. **False:** The right of quiet enjoyment is the right of a landowner to have uninterrupted use of the property without interference from former owners or tenants.
2. **False:** Trade fixtures are the personal property of the tenant.
3. **True.**
4. **True.**
5. **False:** The highest form of ownership is the fee simple absolute estate in land.
6. **True.**
7. **True.**
8. **True.**
9. **False:** Under a joint tenancy, there is a right of survivorship. This means that the surviving owners automatically get the deceased owner's interest.
10. **True.**
11. **False:** Under a tenancy in common, an owner can sell the owner's interest without the consent of the other owners.
12. **False:** A joint tenancy can only be created by will or deed. If nothing is mentioned in the deed as to how the owners are taking title, the law will assume the owners will be tenants in common.
13. **True.**
14. **False:** Under both a tenancy in common and a joint tenancy, the co-owners can file a partition suit to dissolve the tenancy.
15. **False:** M would take title as a tenant in common because total unity would not exist with M and the other owners.
16. **False:** Wisconsin's homestead law requires the signatures of both spouses to transfer title.
17. **False:** Property held as survivorship marital property transfers to the surviving spouse without probate. Other marital property becomes part of the estate of the deceased spouse and may be distributed pursuant to the will of the deceased spouse.
18. **False:** Property owned by a married couple prior to 1/1/86 will be treated as marital property in the event of divorce.
19. **True.**
20. **True.**
21. **False:** Condominium declarations may establish percentage interests that are equal for all of the units, or they can be based in proportion to the square footage of the respective units, based upon the location or value of the different units, or based upon some other formula stated in the declaration.
22. **True.**
23. **False:** Because a lease is a personal property interest in land the leasehold estate stays in place beyond the death of the lessor or lessee.
24. **False:** Neither the property owner nor the tenant are required to make any improvements to the property unless specifically stated in the terms of the lease.
25. **True.**
26. **False:** Wisconsin law does not authorize a property owner to withhold a security deposit for normal wear and tear, or for other damages or losses for which the tenant cannot reasonably be held responsible under applicable law.

QUIZ

1. How many days from the beginning of a lease period does a tenant have to inspect a property for the prior tenant's damages?
 - a. 7
 - b. 5
 - c. 10
 - d. 3

2. What is a benefit for a married couple that holds property as survivorship marital property?
 - a. The property passes to the surviving spouse without probate.
 - b. The property receives a \$40,000 exemption from unsecured credit.
 - c. The children of the deceased will receive the property without probate.
 - d. The heirs who receive the property will owe estate taxes.

3. When is a mobile home real property?
 - a. It is on a permanent foundation.
 - b. It is owned and not rented.
 - c. It is rented and hooked up to utilities.
 - d. It is on a permanent foundation, hooked up to utilities, and owned by the landowner.

4. Property acquired by a married couple after their wedding, except by gift or inheritance, will belong to both spouses equally. Why?
 - a. The General Partnership Property Act.
 - b. The Joint Tenancy Act.
 - c. The Tenancy in Common Act.
 - d. The Marital Property Act.

5. What estate in land offers the maximum ownership?
 - a. Fee simple defeasible.
 - b. Fee simple absolute.
 - c. Leasehold estate.
 - d. Life estate.

6. Which of the following is not a government power?
 - a. Zoning.
 - b. Taxation.
 - c. Foreclosure.
 - d. Condemnation.

7. Which of the following statements best describes a cooperative?
 - a. A cooperative owner owns a real property interest.
 - b. A cooperative owner owns a unit and an interest in common areas.
 - c. A cooperative owner owns a personal property interest.
 - d. A cooperative owner owns a deed right to a unit.

8. Three people own a farm and all three can sell their individual interests without the consent of the other owners. How does each owner hold title to the interest?
 - a. In trust.
 - b. In severalty.
 - c. As an individual tenancy.
 - d. As a condominium.

9. Rowe and Moore own a parcel of real estate. Rowe owns an undivided two-thirds interest in the property and Moore owns one-third. What kind of tenancy do Rowe and Moore have?
 - a. Tenancy in severalty.
 - b. Tenancy in common.
 - c. Tenancy marital property.
 - d. Joint tenancy.
10. Tiffany and Brad bought Sarah and Brian's house. Tiffany and Brad considered the living room bookshelves to be a fixture and Sarah and Brian considered the bookshelves personal property. Which of the following is not a factor in a court's determination of whether an item is a fixture?
 - a. How were the bookshelves attached?
 - b. What was the intent?
 - c. Have the bookshelves already been removed?
 - d. How were the bookshelves adapted?
11. What is the right to possess property free from claims of former owners or other third parties?
 - a. An encumbrance.
 - b. Disposition.
 - c. Quiet enjoyment.
 - d. Control.
12. What is a lessor's future interest in a property called?
 - a. A remainder interest.
 - b. A reversionary interest.
 - c. A survivorship interest.
 - d. A testamentary interest.
13. What interest do parties transfer when executing a lease?
 - a. A real property interest from lessee to lessor.
 - b. A real property interest from lessor to lessee.
 - c. A personal property interest from lessee to lessor.
 - d. A personal property interest from lessor to lessee.
14. What is survivorship marital property?
 - a. Real property that will pass to a surviving spouse without probate.
 - b. Presumptive marital property.
 - c. Property in which is no individual owns more than a 50% interest.
 - d. A classification under the Marital Property Act that permits a deceased spouse to will real estate to a third party.
15. Which of the following is not individual property under Wisconsin's Marital Property Act?
 - a. The appreciated value of individual property.
 - b. Predetermination date property.
 - c. Gifts to an individual spouse.
 - d. Property classified as individual property under a marital property agreement.

16. The Kimpel's contracted to purchase the Byrnes' home. Which feature may the Byrnes remove from the home?
- A built-in dishwasher.
 - Wall-to-wall carpeting.
 - Draperies rods.
 - A refrigerator.
17. Which contract is used when one party agrees to use the real estate of another in exchange for periodic payments?
- A lease.
 - An offer to purchase.
 - An option.
 - A land contract.
18. The definition of real estate includes many elements. Which of the following is not real estate?
- Built-in appliances.
 - A furnace.
 - Furniture.
 - A chandelier.
19. What are valuable additions made to a property?
- Chattels.
 - Parcels.
 - Improvements.
 - Trade fixtures.
20. Vivian Jacobs and Caleb Chance purchase a property. The seller's deed at closing conveyed the property to "Vivian Jacobs and Caleb Chance," without further explanation. How do Vivian and Caleb hold title to the property?
- As joint tenants.
 - As tenants in common.
 - With rights of survivorship.
 - Each owns the percentage corresponding to the amount each contributed to the down payment.
21. What constitutes a homestead?
- The dwelling and the land surrounding it not exceeding 40 acres.
 - The dwelling and the land surrounding it but not less than 1/2 acre, if available, and not exceeding 40 acres.
 - The dwelling and the land surrounding it but not less than 1/4 acre, if available, and not exceeding 50 acres.
 - The dwelling and the land surrounding it but not less than 1/4 acre, if available, and not exceeding 40 acres.
22. What are trade fixtures?
- Real property of a lessee.
 - Real property of a lessor.
 - Personal property of a lessor.
 - Personal property of a tenant.

QUIZ ANSWER KEY

1. **A:** DATCP 134.06 Residential Rental Practices: Before a property owner accepts a security deposit, or converts an earnest money deposit to a security deposit, the property owner shall notify the tenant in writing that the tenant may do any of the following by a specified deadline date which is not less than seven days after the start of tenancy: Inspect the dwelling unit and notify the property owner of any pre-existing damages or defects.
2. **A:** Wisconsin's Marital Property Act states that upon death of a spouse, the ownership rights of that spouse in the property vest solely in the surviving spouse by nontestamentary disposition at death.
3. **D:** A mobile home, according to state law, is an improvement to real property if it is set upon a foundation, on land is owned by the mobile home owner, and attached to utilities. If all three of those elements do not exist, the mobile home is personal property.
4. **D:** The Wisconsin Marital Property Act classifies all property of married people in Wisconsin. Generally, all personal property, real property, and salaries of married couples is marital property.
5. **B:** A fee simple absolute estate offers an owner the maximum ownership rights to a property. A fee simple absolute is of unlimited duration and the rights to the property are limited only by certain government powers.
6. **C:** The government powers consist of police power, eminent domain, taxation, and escheat. Foreclosure is an action brought by a private entity, usually a lender, to recover title to a private property.
7. **C:** A cooperative owner owns personal property in the form of stock issued by a corporation and receives a proprietary lease to the occupied unit. The corporation owns the building and issues leases to the occupants. Both the stock in the corporation and the lease are personal property interests.
8. **B:** When a person owns interest in property that is separate or distinct from the other owners, the owners own their individual interests in severalty.
9. **B:** Rowe and Moore have a tenancy in common. To own property as joint tenants or as marital property, the parties must own equal shares. Severalty refers to a single owner's separate ownership interest.
10. **C:** In a dispute over whether an item is a fixture, a court will consider how the item was attached, how it was adapted, the intent of the party who put it in the property, and whether the parties had an agreement about the item.
11. **C:** Quiet enjoyment is the right of a property owner or tenant to use a property uninterrupted by claims of former owners or other third parties.
12. **B:** A property owner retains a reversionary interest, which is a future interest retained by the property owner when executing a lease. It is the right to have the property interest revert back to the lessor.

13. **D:** A leasehold estate is a personal property interest for a limited duration. Executing a lease transfers a personal property interest from a property owner, the lessor, to a tenant, the lessee. At the end of the tenancy, the leasehold estate automatically reverts back to the property owner.
14. **A:** Property that is titled as “survivorship marital property” permits a surviving spouse to automatically receive the deceased spouse’s interest without going through probate. See Wisconsin’s Marital Property Act at section 766.60(5). If a couple titles property as “survivorship marital property” instead “marital property” when recording an interest, the interest of the deceased spouse vests automatically in the surviving spouse.
15. **B:** The Marital Property Act does not re-classify property that spouses acquired before their determination date as marital property. This is called predetermination date property and remains owned as it was at the time it was acquired. At the death of a spouse domiciled in this state, all predetermination date property that would have been marital property if acquired after a couple’s determination date is subject to the Marital Property Act.
16. **D:** Unless the parties have an agreement stating differently, the Byrne’s can remove the refrigerator because it is personal property. All other items are fixtures and cannot be removed unless excluded in the offer to purchase.
17. **A:** A lease is an agreement between parties permitting a party to use another party’s real estate, usually in exchange for periodic payments in the form of rent. An offer to purchase is an agreement to purchase real estate and an option is an agreement by the seller to sell if the buyer chooses to purchase. A land contract is a form of seller-financing.
18. **C:** Furniture is personal property and is not a part of the real estate.
19. **C:** Improvements are valuable additions made to property that amount to more than repairs, costing labor and capital, and are intended to enhance the value of the property.
20. **B:** If nothing to the contrary is expressed in the deed, the law will assume co-owners to hold title as tenants in common and that each will own equal amounts.
21. **D:** See Wis. Stat. 706.01(7) Homestead, as used in this chapter, means the dwelling, and so much of the land surrounding it as is reasonably necessary for use of the dwelling as a home, but not less than one-fourth acre, if available, and not exceeding 40 acres.
22. **D:** Trade fixtures are the personal property of the tenant. They are permanently attached to rented property for the purpose of running the tenant’s business.

CASE STUDIES ANSWER KEY

1. This information is either information suggesting a material adverse fact or it is a material adverse fact and, if the seller does not disclose it, the licensee must disclose it in writing to all parties to the transaction.
2. If Smith denied access to field road, the Williams could go to court and request a prescriptive easement to use the field road. A court can award a prescriptive easement if the use of the property has been continuous, exclusive, visible, open, notorious, and hostile for a prescribed time, which is usually 20 years.

TRUE/FALSE

1. T/F Encumbrances will lessen the value of a property.
2. T/F The owner of the easement has ownership rights in the property.
3. T/F Appurtenant easements will typically run with the land.
4. T/F An easement by prescription must be granted when subdividing land to provide ingress and egress.
5. T/F A personal easement in gross typically runs with the land.
6. T/F A neighbor's new sun room addition extends beyond the setback lines. This is an encroachment on the neighboring parcel.
7. T/F A mortgage lien is both voluntary and general.
8. T/F Construction liens take priority from when the first visible work commenced.
9. T/F Property taxes are calculated by multiplying the market value by the tax rate.
10. T/F Wisconsin expresses its taxes in the form of a mill rate, which is 1/1000 of a dollar.
11. T/F A party must record a deed for a transfer to be valid.
12. T/F The transfer fee for conveying a property for \$100,000 property is \$300.
13. T/F The WB-11 Residential Offer to Purchase pre-printed terms allow the seller to provide either an abstract or title insurance as form of title evidence.

TRUE/FALSE ANSWER KEY

1. **False:** Encumbrances, such as a judgment, may lessen the value of the property. Encumbrances, such as deed restrictions, do not negatively affect the value and could add value to a property.
2. **False:** The owner of the easement has the right to use another's property. The easement owner does not have ownership rights to the property.
3. **True.**
4. **False:** An court may grant an easement by prescription if a claimant has made use of another's land when that use has been continuous, exclusive, visible, open, notorious, and hostile for a time, which is usually 20 years.
5. **False:** A commercial easement in gross will run with the land. A personal easement in gross does not run with the land and usually terminates at the death of the easement owner or when the owner of the property subject to the easement transfers title to the property.
6. **True.**
7. **False:** A mortgage lien is voluntary and specific.
8. **True.**
9. **False:** Property taxes are calculated by multiplying the assessed value by the tax rate.
10. **True.**
11. **False:** Parties often record deeds when conveying property but it is not necessary to record a deed for a party to convey property. Recording a deed provides constructive notice of ownership to third parties and it protects a grantee from other parties challenging ownership of a property.
12. **True.** $\$100,000 \times .003 = \300
13. **False:** The pre-printed terms of the WB-11 Residential Offer to Purchase, lines 340-342, require the seller to provide title insurance to the buyer.

QUIZ

1. Which deed creates the least liability for a grantor?
 - a. A special warranty deed.
 - b. A general warranty deed.
 - c. A bargain and sale deed.
 - d. A quitclaim deed.

2. An \$89,000 property is assessed 100%. The mill rate is .030. What is the tax bill for the property?
 - a. \$2,670
 - b. \$2,555
 - c. \$1,650
 - d. \$1,745

3. A property has a market value of \$120,000 and is assessed at 60% of market value. What is the property's tax bill if the tax rate is 30 mills?
 - a. \$3,600
 - b. \$4,200
 - c. \$1,750
 - d. \$2,160

4. How does a party give notice that a parcel of real estate is the subject of a lawsuit?
 - a. File a writ of attachment.
 - b. File a lien.
 - c. File a notice of foreclosure.
 - d. File a lis pendens.

5. The assessed value of a property is 95% of the appraised value, which is \$89,000. What is the assessed value?
 - a. \$88,000
 - b. \$84,550
 - c. \$89,000
 - d. \$87,000

6. Nancy Cooper is the owner of a dominant estate that has an easement that runs with the land. Tom Cohen has the servient estate for the easement. Under which of the following circumstances would the easement not be terminated?
 - a. Cohen purchases and merges Cooper's property with his own.
 - b. Cooper sells the dominant estate to Dixon.
 - c. Cooper abandons the use of the easement.
 - d. Cohen's property is destroyed.

7. A property has just sold for \$125,000. It is currently assessed at \$95,000. If the property is reassessed at 95% of market value, what is the tax bill if the tax rate is 25 mills?
 - a. \$2,375.00
 - b. \$2,968.75
 - c. \$3,125.00
 - d. \$3,368.25

8. Which of the following insures and gives evidence of marketable title?
 - a. Title insurance.
 - b. Quitclaim deed.
 - c. Warranty deed.
 - d. Abstract of title.

9. From what does a warranty deed protect a grantee?
 - a. Significant defects in the property.
 - b. Defective title.
 - c. Unenforceable contracts.
 - d. Misrepresentation.

10. A house is valued at \$125,000 and assessed at 90% of its value. The tax bill is \$3,937.50. What is the tax rate per \$100 of assessed value?
 - a. \$1.15
 - b. \$3.00
 - c. \$3.50
 - d. \$2.75

11. What happens when a property has been assessed under the use-value system?
 - a. The owner who changes the use of the land to something other than agricultural must pay a conversion fee.
 - b. The seller of the property must pay a penalty to the state upon transfer of title.
 - c. The buyers of agricultural land are required to complete a search of public records for penalties assessed under the use-value system prior to closing.
 - d. In addition to the penalties imposed for change of use, there are deed conditions that control future uses of the property.

12. The Bowman's home on Lombard Street is valued at \$95,000. Property in their area is assessed at 60% of its value, and the local tax rate is \$2.85 per hundred dollars. How much do the Bowman's owe for this year's property taxes?
 - a. \$2,451.00
 - b. \$1,470.60
 - c. \$125.38
 - d. \$1,624.50

13. Evelyn buys a property from Jimmy but does not record the deed. Jimmy dies and through honest error, his estate sells the property to Donna who acts in good faith and promptly records her deed. Who is the recognized owner of the property?
 - a. Evelyn is the recognized owner.
 - b. Evelyn is the recognized owner but Donna has a lien on the property.
 - c. Donna is the recognized owner.
 - d. There is no recognized owner and the parties must go to court to decide ownership.

14. How is a transfer fee calculated and paid?
 - a. The buyer calculates and pays the transfer fee based on the selling price.
 - b. The seller calculates and pays the transfer fee based on the selling price.
 - c. The buyer calculates and pays the transfer fee based on the listing price.
 - d. The seller calculates and pays the transfer fee based on the listing price.

15. What interest does a quitclaim deed convey?
 - a. The grantee's interest.
 - b. The entire property.
 - c. The claimant's interest.
 - d. The grantor's interest.
16. Which of the following is used to secure payment for specific municipal improvements?
 - a. A construction lien.
 - b. A special assessment.
 - c. An ad valorem.
 - d. A utility lien.
17. Peter Kelly has a fenced lot and the fence extends one foot over his lot line onto the property of a neighbor. What is the effect of the fence on the neighbor's property?
 - a. It encumbers the property.
 - b. It creates an easement for Peter.
 - c. It causes a loss of title for the neighbor.
 - d. It creates lien rights for Peter.
18. After Desmond had purchased his house and moved in, he discovered that his neighbor regularly uses Desmond's driveway to reach a garage located on the neighbor's property. Desmond's attorney explained that ownership of the neighbor's real estate includes an easement over the driveway. What is Desmond's property?
 - a. The dominant estate.
 - b. A tenancy.
 - c. A leasehold.
 - d. The servient estate.
19. Which type of lien can attach to all real and personal property of a debtor?
 - a. Specific lien.
 - b. Voluntary lien.
 - c. Involuntary lien.
 - d. General lien.
20. Which of the following is true of a buyer's title insurance policy?
 - a. It is not an absolute guarantee that the title is free from defects.
 - b. It insures against all title defects.
 - c. It precludes the need for a buyer's attorney.
 - d. It provides protection for one year from the date of closing.
21. Where should a party record a real estate conveyance?
 - a. The register of deeds in the county where the property is located.
 - b. The register of deeds in the county where the buyer resides.
 - c. The clerk of court in the county where the property is located.
 - d. The title insurance company.
22. Who pays for the primary title insurance policy?
 - a. The firm.
 - b. The buyer.
 - c. The lender.
 - d. The seller.

23. When does a construction lien establish priority for payment?
- When it is filed in public records.
 - When the first visible work commenced.
 - When a judge orders a writ of execution.
 - When an attorney prepares an abstract of title.
24. Determine the responsible party and the transfer fee for a property that sold for \$64,350.
- The buyer pays \$193.05.
 - The seller pays \$193.05.
 - The buyer pays \$193.20.
 - The seller pays \$193.20.
25. Which of the following is not true?
- A party must fill out the transfer fee form and pay to record a buyer's deed.
 - The buyer pays the transfer fee.
 - A party must pay the transfer fee when selling by land contract.
 - The transfer tax is 30 cents for each \$100 in value.
26. What happens when a party records a deed?
- The party passes title to the new owner.
 - Recording a deed insures the title.
 - The recording party guarantees the title.
 - Recording a deed gives constructive notice of ownership.
27. X hands Y a deed with the intent to pass title. X asks Y not to record the deed until X dies. When is the deed valid?
- When X delivers the deed.
 - When Y records the deed.
 - When X dies.
 - Never.
28. Who examines an abstract and prepares an opinion of title?
- A firm.
 - The abstract company.
 - The buyer.
 - An attorney.
29. A parcel of real estate has a market value of \$80,000 and is assessed for tax purposes at 85% of market value. The tax rate for the county in which the property is located is 30 mills. What is the tax bill?
- \$2,400
 - \$2,250
 - \$2,040
 - \$3,000
30. Which of the following deeds provides the highest guarantee of title?
- Quitclaim deed.
 - Executor's deed.
 - General warranty deed.
 - Personal representative's deed.

31. Which one of the following statements best explains why instruments affecting real estate are recorded with the register of deeds in the county where the property is located?
- a. Recording gives constructive notice to the world of the rights and interests in a particular parcel of real estate.
 - b. The law requires that such instruments be recorded.
 - c. The instruments must be recorded to comply with the terms of the statute of frauds.
 - d. Recording proves the execution of the instrument.
32. What is a chain of title?
- a. Proceedings affecting a specific parcel of land.
 - b. A history of the documents appearing in the public record.
 - c. An instrument or document that protects the insured parties, subject to specific exceptions, against defects in the examination of the record and hidden risks such as forgeries, undisclosed heirs, and errors in the public records.
 - d. The succession of conveyances from some starting point whereby the present owner derives title.

QUIZ ANSWER KEY

1. **D:** A quitclaim deed transfers but does not warranty the interest owned by the grantor.
2. **A:** $\$89,000 \times .030 = \$2,670$
3. **D:** $\$120,000 \times .60 = \$72,000$ assessed value
 $30 \text{ mills} = 30/1000 = .03$
 $\$72,000 \times .03 \text{ mills} = \$2,160$
4. **D:** A lis pendens is a notice of a possible future litigation involving the real estate.
5. **B:** $\$89,000 \times .95 = \$84,550$.
6. **B:** Because the easement runs with the land, transfer of title will not terminate the estate. "A" is incorrect because an easement can be terminated by merger of the dominant and servient estates. "C" is also wrong because abandonment can terminate an easement. "D" is not correct because the servient estate was destroyed, which terminated the easement.
7. **B:** $\$125,000 \times .95 = \$118,750$ assessed value.
 $25/1000 = .025$ mills.
 $\$118,750 \times .025 \text{ mills} = \$2,968.75$.
8. **A:** Deeds transfer title and, in some cases, warrant the condition of title but do not give evidence of title. To prove clear title one would need title insurance or an abstract of title.
9. **B:** A warranty deed is the most protective of all deeds and it protects a grantee from receiving a defective title to the property.
10. **C:** $\$125,000 \times .90 = \$112,500$ assessed value
 $\$3,937.50 / \$112,500 = .035$
 $.035 \times 100 = \$3.50$
11. **A:** Use-value applies to land that is devoted primarily to agricultural use. Owners who change the use of agricultural land subject to the use-value assessment to a non-agricultural use must pay a penalty.
12. **D:** $\$95,000 \times .60 = \$57,000$ assessed value
 $\$2.85 / 100 = .0285$
 $\$57,000 \times .0285 = \$1,624.50$
13. **C:** By recording her deed, Donna is the recognized owner. She has given constructive notice of her ownership. Wisconsin statutes recognize the owner on record.
14. **B:** The transfer fee is based on the selling price rounded up to the nearest \$100 and the seller is responsible for paying it.
15. **D:** A quitclaim deed is a grant of the grantor's interest in the property. It does not warrant title or possession.
16. **B:** A special assessment is a tax or levy customarily imposed against only those specific parcels of realty that will benefit from a proposed public improvement.

17. **A:** When a structure or other improvement on property extends beyond the property's lot lines, it creates an encroachment on the neighboring parcel. The encroachment is an encumbrance on the neighboring parcel.
18. **D:** The servient estate is the parcel over which an easement runs.
19. **D:** General liens can attach to both real and personal property. Specific liens attach to the property given as collateral.
20. **A:** Title insurance does not guarantee that the title the buyer is obtaining is free from all possible defects. If title defects arise after the effective date of a title insurance policy, the title insurance will provide coverage to the buyer for all potential defects covered by the policy.
21. **A:** A party records a real estate conveyance at the register of deeds in the county where the property is located.
22. **D:** The primary title insurance policy is the buyer's insurance on the property's title. The seller pays for this policy. A lender will also want insurance on the property's title. The buyer pays for this policy.
23. **B:** Construction liens can create hidden liens because they establish priority for payment from the date that work first commenced rather than the date the lienholder records the lien. Because the lien can be effective before the date the lienholder records it, it may not show up on a title search and would not be covered by title insurance.
24. **D:** To calculate the transfer fee, round the selling price up to the nearest \$100. Multiply that amount by .003 to calculate the fee, which is 30 cents for every \$100 of value transferred. $\$64,400 \times .003 = \193.20 . The fee can also be calculated by dividing the purchase price by 100 and multiplying that answer by 30 cents. $\$64,400 / 100 = 644$. $644 \times .3 = \$193.20$. The seller is responsible for paying the transfer fee.
25. **B:** Taxation and Transfer Fee Wis. Stat. 77.22: There is imposed on the grantor of real estate a real estate transfer fee at the rate of 30 cents for each \$100 of value or fraction thereof on every conveyance not exempted or excluded under this subchapter...submission of a completed real estate transfer return and collection by the register of the fee shall be prerequisites to acceptance of the conveyance for recording. 77.25(5)(14): A transfer fee is exempt on a partition and under a foreclosure or a deed in lieu of foreclosure to a person holding a mortgage or to a seller under a land contract.
26. **D:** Recording the deed gives the public notice of the title holder's ownership.
27. **A:** A deed is valid when all of the requirements for validity have been satisfied. A valid deed will successfully transfer title. A deed will not protect the titleholder from the claims of third parties unless it is recorded in public records.
28. **D:** A buyer's attorney reviews an abstract and prepares an attorney's opinion of title.
29. **C:** $\$80,000 \times 85 = \$68,000$
 $\$68,000 \times .03 = \$2,040$.
30. **C:** A grantor of a quitclaim deed does not make any promises regarding title. The deed serves to transfer the interest of the grantor.

31. **A:** Recording an ownership interest provides constructive notice. Constructive notice gives the public notice or knowledge of a titleholder's ownership of a parcel. Constructive notice creates the right of quiet enjoyment. It protects the owner from another party challenging the ownership of a property.
32. **D:** The chain of title is a chronological record of a property's ownership. Each owner should be linked to subsequent owners.

9 | Land Use

TRUE/FALSE

1. T/F Wisconsin recognizes riparian water rights.
2. T/F Navigable waters are public highways.
3. T/F Municipalities have the authority to create comprehensive plans.
4. T/F Zoning ordinances may include residential, commercial, industrial, agricultural, exclusive agricultural, conservancy, and green space.
5. T/F The permitted uses for a parcel zoned residential are the same in all municipalities.
6. T/F An owner of a downzoned property will be compensated by the government for economic loss.
7. T/F A nonconforming use will terminate upon the transfer of title.
8. T/F A violation of a deed restriction can result in loss of title.

TRUE/FALSE ANSWER KEY

1. **True.**
2. **True.**
3. **True.**
4. **True.**
5. **False:** The uses permitted under a particular zoning classification vary based upon locality.
6. **False:** Under most downzoning situations, compensation is not paid to the landowner by the government because the landowner still holds title to the property.
7. **False:** Nonconforming uses typically terminate only if the use of the property is abandoned or if the property is destroyed.
8. **False:** Violating a deed condition can result in a loss of title.

QUIZ

1. Under Wisconsin riparian law, what does a waterfront landowner own?
 - a. The entire river or stream.
 - b. To the edge of a river or stream.
 - c. To the center of the river or stream.
 - d. To the ordinary high water mark of a river or stream.
2. Which of the following is not true of a nonconforming use?
 - a. The owner of the property is not allowed to transfer the nonconforming use to another party.
 - b. The owner cannot change the property to another nonconforming use.
 - c. Nonconforming uses are meant to eventually be eliminated.
 - d. A nonconforming use is allowed to continue even though it may not comply with current zoning regulations.
3. Why do municipalities require building permits?
 - a. To override a deed restriction.
 - b. To promote non-residential development.
 - c. To ensure compliance with municipal regulations.
 - d. To discourage remodeling.
4. What could result from a violation of a deed condition?
 - a. A fine up to 10% of the market value.
 - b. Loss of ownership.
 - c. An injunction.
 - d. Destruction of all improvements.
5. How can a buyer determine if properties in a planned unit development are owned as condominiums?
 - a. Consult the documents used to create the development.
 - b. If they are single family homes, they are not condominiums.
 - c. Review the deed restrictions.
 - d. If they are "apartment-style" structures, they are owned as condominiums.
6. Which of the following would be an example of a conditional use?
 - a. An entire area is rezoned from residential to conservancy.
 - b. A local hospital is allowed to have a helicopter landing pad.
 - c. An individual is allowed to construct a sun porch that extends beyond the setback lines.
 - d. An area containing commercial properties has just been rezoned to residential. The commercial properties however are allowed to stay in use as long as the use is not abandoned.
7. What is a consequence of violating a deed restriction?
 - a. Loss of nonconforming use status.
 - b. Loss of ownership.
 - c. A fine.
 - d. Downzoning.

8. How can a buyer determine whether or not a location can be used for a retail store?
 - a. Refer to the building code.
 - b. Review the list of permitted nonconforming uses.
 - c. Ask a licensee.
 - d. Review the permitted uses for the area.
9. What gives municipal governments the power to implement zoning?
 - a. State enabling acts.
 - b. Voter referendum.
 - c. Eminent domain.
 - d. Local ordinances.
10. Which of the following is not a public land use control?
 - a. Subdivision regulations regarding setbacks.
 - b. Deed restrictions.
 - c. Environmental protection laws.
 - d. Master plan specifications.
11. What do riparian rights govern?
 - a. Waters that are affected by tidal currents.
 - b. Water rights that are separate from ownership in the land.
 - c. Navigable waterways such as rivers, streams, and lakes.
 - d. Waters that are present only during floods or high tides.
12. If a landowner wants to build on a property in a manner prohibited by a local zoning ordinance, the property owner can ask for which of the following?
 - a. Variance.
 - b. Downzoning.
 - c. Conditional-use permit.
 - d. Dezoning.
13. How do communities implement zoning laws?
 - a. Zoning boards of appeal.
 - b. Local ordinances.
 - c. Deed restrictions.
 - d. Deed conditions.
14. The Olsons have obtained a variance from their municipality. If the Olsons sell their home, what must the new owners do?
 - a. Reapply for the variance.
 - b. Obtain a nonconforming use permit.
 - c. Nothing.
 - d. Apply for a conditional-use permit.

QUIZ ANSWER KEY

1. **C:** A property owner owns land to the ordinary high water mark on a lake and land to the center of a river or a stream.
2. **A:** A nonconforming use is a use of land or building that is not permitted by the zoning code's use restrictions. A nonconforming use is transferable to another party provided the new party continues the existing use.
3. **C:** Municipalities require building permits to ensure compliance with zoning laws.
4. **B:** Violating a deed condition could result in loss of title.
5. **A:** The only way to determine if a property is owned in condominium ownership is to consult the documents that created the planned use development. The style of building does not determine the ownership form. "Apartment-style" dwellings can be owned in non-condominium ownership and single family homes can be owned in condominium ownership.
6. **B:** A conditional use is a land use that the local government has decided is not necessarily well suited to all locations within a zoning district. Such use may be required to be custom-tailored to the specific site. This would occur in the helicopter landing pad example. The other land uses described within the answers are downzoning, a variance, and nonconforming use.
7. **C:** Deed restrictions are clauses in a deed limiting the future uses of the property. Deed restrictions may impose a variety of limitations and conditions. They may limit the density of buildings, dictate the types of structures that can be erected, prevent buildings from being used for a specific purpose, describe the color of siding or the type or shingle that must be used on a home.
8. **D:** A buyer would review an area's permitted uses to determine whether a property could be a retail store.
9. **A:** State enabling acts confer power on municipalities to implement zoning regulations.
10. **B:** Deed restrictions are private land use controls.
11. **C:** Riparian rights govern navigable waters such as rivers, streams, and lakes and determine a property owner's right to use the shoreline as well as the water for domestic, agricultural, and recreational purposes.
12. **A:** The variance will allow for a permanent deviation of zoning laws.
13. **B:** Zoning is a local issue and communities implement local zoning rules by enacting zoning ordinances.
14. **C:** A variance is a permanent deviation from the zoning ordinance that usually runs with the land.

10 | Offers to Purchase

CASE STUDIES

1. A buyer delivered an offer to the wrong person and the deadline for acceptance expired before the buyer delivered it to the seller. The buyer does not want to go ahead with the offer now. Can the seller unilaterally extend the date for acceptance to bind the buyer to the contract?
2. A salesperson wants to make a personal offer on a property listed with the salesperson's firm. Can the salesperson make an offer on the property?
3. A seller accepts a primary offer on the seller's property. The seller then accepts an attractive secondary offer. If another buyer submits a secondary offer that the seller would like to accept, can the seller move the second secondary offer into primary position?
4. What is the difference between a loan commitment subject to a lender's appraisal and an offer with an appraisal contingency?
5. A licensee wants to write an offer as a principal for a property listed with another firm. Can the licensee receive a commission if the seller accepts the licensee's offer? If not, can the licensee ask the seller to pay an incentive equal to the commission the licensee would have received on the sale?
6. A seller sends a bump notice to a buyer on Friday. When is the bump notice effective?

CASE STUDIES ANSWER KEY

1. No. A WB-11 is only binding on the parties to the offer and, because the buyer failed to deliver the offer to the seller before the buyer's own deadline for acceptance, the offer is no longer a valid offer. Parties are free to mutually extend the offer but neither the seller nor the buyer may unilaterally do so.
2. A salesperson can make an offer on a property listed with the salesperson's firm if the salesperson does not know any of the terms of the pending offer. Before making the offer, the salesperson should check with the salesperson's firm to see if the firm has an office policy on licensees making offers on properties listed with the firm.
3. Yes. A seller can accept any secondary offer that a buyer submits to the seller. A seller does not have to prioritize secondary offers according to the order in which buyers submitted the offers. Before elevating either secondary offer, a seller should determine if either offer contains a priority clause. A buyer can submit a secondary offer with a priority clause that would require a seller to elevate that offer above other accepted secondary offers. The WB-11 Residential Offer to Purchase does not contain a priority clause and if a buyer wants to submit an offer with a priority clause, a buyer must include it as an additional provision.
4. When a buyer includes a financing contingency in an offer, the buyer is agreeing to apply for the loan described in the financing contingency. A lender can issue a loan commitment to a buyer that is subject to the lender conducting an appraisal of the property. If a buyer receives a loan commitment for the loan described in the offer or another loan that is acceptable to the buyer, the buyer must provide that loan commitment to the seller and this satisfies the financing contingency even if the loan commitment is subject to lender conditions. If the lender appraises the property and chooses not to issue the loan to the buyer, the buyer cannot cancel the offer based on the financing contingency.

If a buyer submits an offer that includes an appraisal contingency, the buyer can cancel the offer if an appraisal comes in at less than the agreed upon purchase price.
5. When acting as a buyer of real estate, a licensee is a principal in the transaction and not acting as an agent. A licensee cannot collect a commission from a seller because a licensee cannot perform services on behalf of the seller with undivided loyalty. A licensee can negotiate an incentive to be paid by the listing firm or the seller. This incentive can be for the amount of the cooperating firm compensation that would otherwise be paid to the selling firm in the transaction.
6. Unlike other deadlines in the offer that run from delivery, the bump notice becomes effective when the buyer actually receives it. The deadline for the bump notice is different because the deadline for a buyer's response is often hours rather than days. If the notice took effect on delivery, it would be possible for a buyer to receive the notice after the deadline for the buyer's waiver.

TRUE/FALSE

1. T/F A court will construe a contract drafted by the buyer's firm more strictly against the buyer.
2. T/F A listing licensee may disclose that there is an accepted offer with a home inspection contingency on a property.
3. T//F A contract for sale should include the parties' full legal names.
4. T/F Licensees may withhold any offers from presentation pending the seller's actions on previously presented offers.
5. T//F A listing agent who has knowledge of a right of first refusal on the seller's property must disclose this in writing to the buyer prior to the buyer submitting the offer.
6. T/F A licensee may refuse to draft a buyer's offer if the licensee truly believes the seller will not accept the buyer's offer.
7. T//F If a listing agent has knowledge of the terms of a pending offer and the listing agent wants to submit a personal offer, the listing agent may not submit an offer.
8. T//F Guaranteed sales are legal.
9. T//F If a licensee is drafting a personal offer on a property, the licensee would strike all of the agency language on line 1 of the WB-11 Residential Offer to Purchase.
10. T/F Earnest money is required in a residential real estate transaction.
11. T//F A buyer may withdraw an offer prior to binding acceptance.
12. T/F All prorations are calculated as of the day of closing.
13. T/F In the offer, the buyer agrees to give the seller \$2,000 of earnest money four days after acceptance and time is not of the essence. Buyer does not pay the seller the \$2,000 earnest money four days after acceptance. Buyer is in breach of the contract.
14. T/F Business days only exclude Sundays.
15. T//F A sidewalk special assessment was levied after the date of the offer. The buyer will pay this special assessment.
16. T//F The seller will have the right to cure if the offer does not indicate a choice in the offer.
17. T//F The seller is free to choose from all accepted secondary offers when it is time to give a secondary buyer notice that the secondary offer becomes primary.
18. T//F The WB-13 Vacant Land Offer to Purchase has a right to cure provision.
19. T/F The purchase price of a property is \$100,000. The property has been damaged in the amount of \$6,000. The buyer has the right to cancel the contract.

TRUE/FALSE ANSWER KEY

1. **True:** When a contract contains an ambiguous term, the court will interpret the contract more strictly against the drafter.
2. **False:** Licensees can disclose that another party holds a right of first refusal on a property, that a seller has accepted an offer, or accepted an offer with contingencies. A licensee can also disclose that a seller has accepted an offer contingent on the closing of buyer's property contingency (a "bump clause") but the licensee cannot disclose the terms of the bump clause or any other contingency terms.
3. **True.**
4. **False:** A licensee must present all offers to the seller in an objective and unbiased manner, discussing the advantages and disadvantages of each offer, so the seller has the material facts the seller needs to make a decision.
5. **True.**
6. **False:** A licensee may not refuse to draft or submit an offer unless the terms of the offer would be contrary to the seller's instructions. If a seller told the listing agent that the seller will not consider offers below a specific amount, the licensee does not have to present offers below that amount.
7. **True.**
8. **True.**
9. **True.**
10. **False:** Earnest money is not required in any real estate transaction.
11. **True:** Review line 30 of the WB-11 Residential Offer to Purchase.
12. **False:** All prorations are calculated as of the day prior to closing. Review line 122 of the WB-11 Residential Offer to Purchase.
13. **False:** In the buyer's offer, time is not of the essence. The buyer must pay the earnest money within a reasonable time.
14. **False:** Business days exclude Saturdays, Sundays, and legal holidays. For the definition of deadlines, review lines 174-181 of the WB-11 Residential Offer to Purchase.
15. **True:** Review lines 360-362 of the WB-11 Residential Offer to Purchase. A seller is responsible for special assessments levied or for work actually commenced prior to the date of offer. A buyer is responsible for all other special assessments. The division for responsibility for these costs depends on the date of the offer, not acceptance or binding acceptance.
16. **True.**
17. **True:** Sellers do not assign priority to secondary offers and can choose to elevate any accepted secondary offer.
18. **True:** The WB-13 Vacant Land Offer to Purchase includes a right to cure at lines 518-524.
19. **True:** Review lines 206-215 of the WB-11 Residential Offer to Purchase.

QUIZ

1. Which of the following is true of income and expenses as of the day of closing?
 - a. The seller is charged for expenses.
 - b. The buyer is allowed to keep income.
 - c. The seller pays expenses and keeps the income.
 - d. The buyer pays expenses only if closing occurs after 12:01 p.m.
2. The Inspection Contingency in the WB-13 Vacant Land Offer to Purchase:
 - a. allows for testing.
 - b. gives the seller the right to cure.
 - c. may be conducted by any third party the buyer chooses.
 - d. requires testing of the septic system.
3. The Inspection Contingency in the WB-14 Residential Condominium Offer to Purchase:
 - a. allows for testing.
 - b. does not give the seller a right to cure.
 - c. allows for an inspection of the unit and limited common elements.
 - d. requires an inspection of the unit, limited common elements, and common elements.
4. Which of the following is correct in a residential transaction where a cooperating firm wrote the offer for the buyer?
 - a. The selling firm must deposit the earnest money into the selling firm's trust account within 24 hours of receiving it from the buyer.
 - b. The selling firm should have additional earnest money due upon or after acceptance made payable directly to the listing firm's trust account.
 - c. The selling firm may hold earnest money in the form of jewelry.
 - d. The selling firm may hold earnest money until a seller accepts an offer and then must deposit the money within 24 hours of acceptance.
5. "Time is of the essence" means that:
 - a. if a party does not perform a contractual obligation by the date stated in the contract, the party has breached the contract.
 - b. a breach of a stated deadline voids the contract.
 - c. a party must perform a contractual obligation within a reasonable time of the date stated in the contract.
 - d. a party cannot extend a deadline by which the other party must perform contractual obligations.
6. Which of the following is true in a residential transaction?
 - a. The buyer receives legal title at occupancy.
 - b. The buyer always takes occupancy on closing day.
 - c. Parties have binding acceptance when the seller accepts a buyer's offer.
 - d. A party may rescind an offer prior to binding acceptance.
7. The WB-11 Residential Offer to Purchase form states that evidence of title is:
 - a. delivered to buyer at least five business days before closing.
 - b. paid for by the buyer.
 - c. a warranty deed.
 - d. an abstract of title.

8. Special assessments levied:
 - a. after the date of the offer are the buyer's responsibility.
 - b. after the date of the accepted offer are the buyer's responsibility.
 - c. prior to the date of the accepted offer are the seller's responsibility.
 - d. against the property prior to the date of the offer must be paid by the buyer at closing.
9. An offer to purchase is binding on the parties when the:
 - a. seller accepts the offer.
 - b. buyer delivers the offer to the seller.
 - c. party delivers the accepted offer to the party who made the offer.
 - d. seller delivers the offer to the buyer.
10. A seller accepts a secondary offer that is better than the first offer, which includes a Closing of Buyer's Property Contingency. The seller:
 - a. must give notice to the primary buyer.
 - b. must elevate the secondary buyer into primary position by the date specified in the secondary offer contingency.
 - c. may approach the primary buyer and attempt to renegotiate.
 - d. must inform future buyers of the presence of the secondary offer.
11. Which of the following is a material adverse fact that a licensee must disclose to a prospective buyer?
 - a. The seller has a right of first refusal on the property.
 - b. There is a sex offender living in the neighborhood.
 - c. A murder occurred on the property.
 - d. There is a nursing home in the neighborhood.
12. The WB-11 Residential Offer to Purchase:
 - a. states that acceptance occurs when an offer is signed by all parties and delivered according to the terms of the offer.
 - b. states that parties have binding acceptance when the offer is signed by all parties and delivered according to the terms of the offer.
 - c. recommends that deadlines running from acceptance be no longer than 24 hours.
 - d. cautions the parties that short-term deadlines running from acceptance should provide adequate time for attorney review.
13. After a buyer has satisfied all contingencies in an offer, the:
 - a. buyer may take possession of the property.
 - b. seller gives the buyer ownership rights.
 - c. buyer has legal title.
 - d. buyer has equitable title.
14. Which of the following is a breach of the sales contract?
 - a. Buyer is unable to remove the financing contingency because the lender will not approve the mortgage.
 - b. Buyer fails to pay additional earnest money payment included in the offer.
 - c. A title search completed 10 days prior to closing indicates encumbrances to title that the seller did not disclose.
 - d. A seller insists that a buyer pays for a special assessment levied after binding acceptance.

15. The Delivery of Documents and Written Notices section of the WB-11 Residential Offer to Purchase:
 - a. does not permit delivery by e-mail.
 - b. no longer allows personal delivery except by a legal process server.
 - c. allows the parties to designate alternative recipients for delivery by U.S. Mail.
 - d. requires that fees for commercial delivery always be prepaid to an account.
16. In the Inspections and Testing section of the WB-11 Residential Offer to Purchase:
 - a. a buyer is only required to provide copies of inspection reports when giving a notice of defects.
 - b. a seller agrees to allow inspectors, testers, and appraisers reasonable access to satisfy the contingencies in an offer.
 - c. inspections include testing soil at a property.
 - d. a buyer must repair any damage from an inspection but is allowed to deduct the cost of any improvements from the purchase price.
17. The Distribution of Information section of the WB-11 Residential Offer to Purchase states that:
 - a. the listing firm may deliver a copy of the offer to the title company.
 - b. it is illegal to modify the delivery provisions of the offer.
 - c. all information may be given to an appraiser.
 - d. selling agents may deliver copies of the offer to other interested buyers.
18. The Title Evidence section of the WB-11 Residential Offer to Purchase provides that:
 - a. a seller can choose to provide an abstract or title insurance policy.
 - b. a seller can provide title evidence in the form of an abstract.
 - c. a seller agrees to provide title evidence in the form of an owner's policy of title insurance.
 - d. a buyer pays for the owner's title policy.
19. The buyer's inspection contingency gives the seller a right to cure. Upon delivering a Notice of Defects to the seller, which of the following may occur?
 - a. A seller may nullify the contract.
 - b. A buyer may dictate the contractors and materials used to cure defects.
 - c. The offer is automatically null and void
 - d. A buyer may cure the defects in a good and workmanlike manner.
20. The Appraisal Contingency of the WB-11 Residential Offer to Purchase provides a buyer with an opportunity to:
 - a. force the seller to reduce the purchase price or terminate the offer.
 - b. make the seller pay for an appraisal.
 - c. terminate the offer if the appraisal values the property at greater than the agreed upon purchase price.
 - d. terminate the offer if the property's appraised value is not equal to or greater than the agreed upon purchase price.
21. The Gap Endorsement section of the WB-11 Residential Offer to Purchase states that:
 - a. all transactions must close in escrow.
 - b. a seller must pay liens prior to closing.
 - c. a buyer can give written notice that the title is not acceptable for closing if the seller cannot provide a gap endorsement.
 - d. gap endorsements are never available.

22. The Secondary Offer section of the WB-11 Residential Offer to Purchase:
- prioritizes secondary offers in the order of receipt.
 - permits a seller to move any secondary offer into primary position.
 - requires a seller to give a notice of primary status to a secondary buyer with 72 hours of acceptance.
 - requires buyers to provide a notice to a seller of all offers made on a buyer's home.
23. The Loan Commitment section of the WB-11 Residential Offer to Purchase provides:
- a buyer agrees to deliver to a seller a written loan commitment for a loan that is acceptable to a buyer.
 - selling agents may deliver any loan commitment received from a buyer's lender before a buyer has reviewed the loan commitment.
 - a buyer and a seller agree to share the costs of financing up to \$1,000.
 - a buyer must provide a loan commitment for the loan described in the financing contingency.
24. A buyer submits an offer with earnest money to a firm. The licensee presents the offer to the seller at the seller's home and the seller accepts. The licensee plans to deliver the signed offer to the buyer at the buyer's home. Before the licensee arrives at the buyer's house, the buyer calls the licensee and withdraws the offer. Which of the following is true?
- The buyer cannot withdraw the offer because the seller accepted it.
 - The buyer cannot withdraw the offer because the licensee presented it.
 - The buyer can withdraw the offer because the seller has not delivered it.
 - The buyer can withdraw the offer at any time.
25. The Financing Unavailability section of the WB-11 Residential Offer to Purchase provides:
- if a buyer cannot get financing, a seller has 10 days to give written notice to the buyer of the seller's decision to finance the transaction.
 - a buyer does not authorize the seller to obtain any credit information to determine a buyer's credit worthiness for seller financing.
 - one rejection letter is proof that financing is not available.
 - after delivery of a loan commitment, if a lender chooses not to lend to the buyer, the buyer can cancel the offer.
26. In a residential transaction involving a cooperating firm, what does a listing firm strike from lines 1-2 of the WB-11 Residential Offer to Purchase?
- Listing firms do not draft offers in transactions involving cooperating firm.
 - Agent of Buyer
 - Agent of Seller/Listing Broker
 - Agent of Buyer and Seller
27. When completing the Delivery of Documents and Written Notices section of an offer, the drafting licensee working with a customer should:
- follow company policy for delivery of documents.
 - complete the form according to the buyer's direction.
 - strike mail delivery because mail is not delivered on holidays.
 - complete the form according to the seller's direction.

28. According to the WB-11 Residential Offer to Purchase, a buyer should pay earnest money to the:
- listing firm.
 - drafting firm.
 - seller.
 - listing agent.
29. Which of the following can a licensee disclose to a prospective buyer about an offer the seller has accepted?
- The offer has a bump clause.
 - That the buyers do not have a loan commitment.
 - The offer has a home inspection contingency.
 - The offer is for \$124,500.
30. If a listing licensee receives an offer, the licensee must submit it to the seller:
- unless the offer is so low that the licensee thinks the seller will not accept it.
 - unless the seller has rejected a higher offer.
 - every time unless the seller has given instructions to the contrary.
 - only if the licensee believes the seller will accept the offer.
31. A seller refused to let the listing firm hold the buyer's earnest money. The listing firm should:
- recommend that the parties decide who holds the earnest money.
 - open an escrow account.
 - deposit it with a third person.
 - tell the seller that the listing firm must hold the earnest money.
32. A seller lists a home for \$80,000 and accepts an offer for \$78,000. What is the status of the sales contract?
- An implied contract.
 - A bilateral contract.
 - A unilateral contract.
 - No contract.
33. If a buyer withdraws an offer prior to binding acceptance, the firm:
- can keep the earnest money.
 - must return half of the earnest money.
 - must return all of the earnest money.
 - can withhold \$250 for legal expenses from the earnest money.
34. A buyer makes an offer on vacant land contingent on receipt of a map of the property within 15 days of acceptance. A seller accepts the offer on November 1. The seller delivers the map on November 10. The map reveals that the property's dimensions are less than the minimum acres the buyer included in the map contingency. If the buyer wants to terminate the offer, by when must the buyer deliver notice of termination to the seller?
- Midnight on November 14.
 - Midnight on November 15.
 - Midnight on November 21.
 - Midnight on November 20.

35. A seller accepts an offer from a buyer contingent on financing and with fax as the buyer's chosen method of delivery. The buyer does not deliver the loan commitment by the deadline. The seller tells the listing licensee to draft a notice of termination. Before the licensee drafts the notice, the buyer arrives at the seller's house and presents a loan commitment. What is the status of the offer?
- a. It is a contract for sale.
 - b. The buyer is in breach.
 - c. The offer is null and void.
 - d. The seller can terminate the offer by delivering the notice of termination to the buyer by fax.
36. A buyer submitted an offer on a condominium but the seller did not provide the condominium disclosure materials by the deadline for delivery, which was a Wednesday. What is the deadline for the buyer to rescind the offer?
- a. The buyer cannot rescind without first requesting the missing documents.
 - b. The following Monday.
 - c. The following Wednesday.
 - d. The following Friday.

QUIZ ANSWER KEY

1. **B:** WB-11 line 122, WB-13 line 76, WB-14 line 148: "Any income, taxes or expenses shall accrue to Seller, and be prorated at closing, through the day prior to closing."
2. **B:** WB-13 permits an inspection of the property by a qualified independent inspector and any specific features listed on line 506. In the contingency, a buyer can give a seller a right to cure on line 518.
3. **C:** The WB-14 Inspection Contingency allows for an inspection of the unit and the limited common elements at line 491. A seller may not have the authority or ability to permit a buyer to inspect common elements such as a roof or ventilation system.
4. **B:** WB-11 lines 370-372, WB-13 lines 371-373, WB-14 lines 454-456: "Unless otherwise agreed, earnest money shall be paid to and held in the trust account of the listing broker (Buyer's agent if Property is not listed or Seller's account if no broker is involved), until applied to the purchase price or otherwise disbursed as provided in the Offer."
5. **A:** WB-11 lines 322-324, WB-13 lines 414-416, WB-14 lines 405-407: "If 'Time is of the Essence' applies to a date or Deadline, failure to perform by the exact date or Deadline is a breach of contract. If 'Time is of the Essence' does not apply to a date or Deadline, then performance within a reasonable time of the date or Deadline is allowed before a breach occurs."
6. **D:** WB-11 line 30, WB-13 line 32, WB-14 line 35: "This Offer may be withdrawn prior to delivery of the accepted Offer."
7. **A:** WB-11 lines 348-352: "For purposes of closing, title evidence shall be acceptable if the required title insurance commitment is delivered to Buyer's attorney or Buyer not less than 5 business days before closing, showing title to the Property as of a date no more than 15 days before delivery of such title evidence to be merchantable per lines 326-335, subject only to liens which will be paid out of the proceeds of closing and standard title insurance requirements and exceptions, as appropriate."
8. **A:** WB-11 lines 360-362, WB-13 lines 450-451: "Special assessments, if any, levied or for work actually commenced prior to date of this Offer shall be paid by Seller no later than closing. All other special assessments shall be paid by Buyer." WB-14 lines 444-446: "Special assessments, if any, including those by any applicable homeowner's or Condominium Association, levied for work actually commenced prior to the date of this Offer shall be paid by Seller no later than closing. All other special assessments shall be paid by Buyer."
9. **C:** WB-11 lines 27-28, WB-13 lines 29-30, WB-14 lines 32-33: "This Offer is binding upon both Parties only if a copy of the accepted Offer is delivered to Buyer on or before _____."
10. **C:** WB-11 lines 313-314, WB-14 lines 396-397: "Unless otherwise provided, Seller is not obligated to give Buyer notice prior to any deadline, nor is any particular secondary buyer given the right to be made primary ahead of other secondary buyers."
11. **A:** A right of first refusal is a material adverse fact. A licensee must disclose it to potential buyers. After disclosing, a licensee may deliver a copy of a buyer's offer to a party holding the right of first refusal.
12. **B:** WB-11 lines 27-28: "This Offer is binding upon both Parties only if a copy of the accepted Offer is delivered to Buyer on or before _____."

13. **D:** Equitable title is absolute ownership of a property when legal title is held in another's name. When a sales contract becomes binding on both parties, the buyer has equitable title. This gives a buyer the right to sue for specific performance if a seller breaches the contract.
14. **B:** The buyer breaches the contract by failing to deposit earnest money.
15. **C:** WB-11 lines 38-39 allow a party to designate an alternative recipient for delivery of documents.
16. **B:** WB-11 lines 399-401: "Seller agrees to allow Buyer's inspectors, testers and appraisers reasonable access to the Property upon advance notice, if necessary to satisfy the contingencies in this Offer." Lines 407-408: "Buyer agrees to promptly provide copies of all inspection and testing reports to Seller." Lines 396-398: An "inspection" is defined as an observation of the Property which does not include an appraisal or testing of the Property, other than testing for leaking carbon monoxide, or testing for leaking LP gas or natural gas used as a fuel source, which are hereby authorized."
17. **A:** WB-11 lines 272-277: "Buyer and Seller authorize the agents of Buyer and Seller to: (i) distribute copies of the Offer to Buyer's lender, appraisers, title insurance companies and any other settlement service providers for the transaction as defined by the Real Estate Settlement Procedures Act (RESPA); (ii) report sales and financing concession data to multiple listing service sold databases; and (iii) provide active listing, pending sale, closed sale and financing concession information and data, and related information regarding seller contributions, incentives or assistance, and third party gifts, to appraisers researching comparable sales, market conditions and listings, upon inquiry."
18. **C:** WB-11 lines 340-342: "Seller shall give evidence of title in the form of an owner's policy of title insurance in the amount of the purchase price on a current ALTA form issued by an insurer licensed to write title insurance in Wisconsin."
19. **A:** WB-11 lines 427-433, WB-13 lines 518-524, WB-14 lines 507-512: "If Seller has the right to cure, Seller may satisfy this contingency by: (1) delivering written notice to Buyer within 10 days of Buyer's delivery of the Notice of Defects stating Seller's election to cure Defects; (2) curing the Defects in a good and workmanlike manner; and (3) delivering to Buyer a written report detailing the work done within 3 days prior to closing. This Offer shall be null and void if Buyer makes timely delivery of the Notice of Defects and written inspection report(s) and: (1) Seller does not have a right to cure or (2) Seller has a right to cure but: (a) Seller delivers written notice that Seller will not cure or (b) Seller does not timely deliver the written notice of election to cure."
20. **D:** WB-11 lines 267-269: "This contingency shall be deemed satisfied unless Buyer, within _____ days of acceptance, delivers to Seller a copy of the appraisal report which indicates that the appraised value is not equal to or greater than the agreed upon purchase price, accompanied by a written notice of termination."
21. **C:** WB-11 lines 343-347: "If a gap endorsement or equivalent gap coverage is not available, Buyer may give written notice that title is not acceptable for closing (see lines 353-359)."
22. **B:** WB-11 lines 313-314: "Unless otherwise provided, Seller is not obligated to give Buyer notice prior to any deadline, nor is any particular secondary buyer given the right to be made primary ahead of other secondary buyers."
23. **A:** WB-11 lines 236-238: "If Buyer qualifies for the loan described in this Offer or another loan acceptable to Buyer, Buyer agrees to deliver to Seller a copy of the written loan commitment no later than the deadline at line 219."

24. **C:** Delivery of an accepted offer back to the party who made the offer creates binding acceptance and turns the offer to purchase into a contract for sale that is binding on the parties.
25. **A:** WB-11 lines 250-256: "If financing is not available on the terms stated in this Offer (and Buyer has not already delivered an acceptable loan commitment for other financing to Seller), Buyer shall promptly deliver written notice to Seller of same including copies of lender(s)' rejection letter(s) or other evidence of unavailability. Unless a specific loan source is named in this Offer, Seller shall then have 10 days to deliver to Buyer written notice of Seller's decision to finance this transaction on the same terms set forth in this Offer, and this Offer shall remain in full force and effect, with the time for closing extended accordingly. If Seller's notice is not timely given, this Offer shall be null and void. Buyer authorizes Seller to obtain any credit information reasonably appropriate to determine Buyer's credit worthiness for Seller financing."
26. **A:** In a transaction involving a cooperating firm, the cooperating firm,, rather than the listing firm is drafting the offer for the buyer. The cooperating firm could be a selling agent drafting an offer for a customer as an agent of the listing firm or the cooperating firm could be a buyer's agent drafting an offer for a client.
27. **B:** A licensee drafts forms to accomplish the intent of the parties. A licensee drafts the delivery section of an offer according to the directions of the buyer, whether the buyer is a customer or a client.
28. **A:** WB-11 lines 370-372: "Unless otherwise agreed, earnest money shall be paid to and held in the trust account of the listing broker (Buyer's agent if Property is not listed or Seller's account if no broker is involved), until applied to the purchase price or otherwise disbursed as provided in the Offer."
29. **A:** A licensee can disclose to prospective buyers that a seller has accepted an offer, that the seller has accepted an offer with a contingency, or that the seller has accepted an offer with a contingency and a bump clause. The licensee cannot disclose the nature of the contingencies or the deadline for the bump clause.
30. **C:** REEB 24 Conduct and Ethical Practices for Real Estate Licensees sets the standards for drafting and submission of offers. REEB 24.13 (1) Refusal Prohibited. Licensees shall not refuse to draft or submit any written proposals to the owner unless the terms of the offer, exchange agreement or option would be contrary to specific instructions of the owner.
31. **A:** See REEB 18.06 Escrow agreement for earnest money not held by the firm. If the parties to a transaction do not desire that the firm hold the earnest money in the firm's real estate trust account, and wish to designate an escrow agent other than the firm, the firm may not draft the escrow agreement. The escrow agreement shall be drafted by the parties or an attorney. The firm may not hold the funds in the firm's real estate trust account, nor may the firm act in any way as custodian of the funds for the parties. The funds, pursuant to the escrow agreement, shall be held by some other party, such as a bank, a savings and loan association, a credit union or an attorney.
32. **D:** The parties do not have a contract because the seller has not yet delivered the accepted offer back to the buyer, which would create binding acceptance and turn the offer to purchase into a contract for sale.
33. **C:** WB-11 lines 376-377, WB-13 lines 377-378, WB-14 lines 459-460: "If negotiations do not result in an accepted offer, the earnest money shall be promptly disbursed (after clearance from payor's depository institution if earnest money is paid by check) to the person(s) who paid the earnest money."

34. **B:** WB-13 lines 360-364: “This contingency shall be deemed satisfied unless Buyer, within five days of the earlier of: (1) Buyer’s receipt of the map; or (2) the deadline for delivery of said map, delivers to Seller a copy of the map and a written notice which identifies: (1) the significant encroachment; (2) information materially inconsistent with prior representations; or (3) failure to meet requirements stated within this contingency.
35. **A:** WB-11 lines 247-249, WB-13 lines 220-222, WB-14 276-277: “SELLER TERMINATION RIGHTS: If Buyer does not make timely delivery of said commitment, Seller may terminate this Offer if Seller delivers a written notice of termination to Buyer prior to Seller’s Actual Receipt of a copy of Buyer’s written loan commitment.” Even though the buyer breached the contract by not providing a loan commitment by the deadline stated in the offer, because the seller did not deliver notice of termination prior to the seller’s actual receipt of the buyer’s loan commitment, the buyer has satisfied the financing contingency and the offer is a contract for sale.
36. **C:** WB-14 lines 229-230: “Buyer may rescind the sale within 5 business days of the earlier of Buyer’s receipt of the requested missing documents or the deadline for Seller’s delivery of the documents [Wis. Stat. § 703.33(4)(b)].” When counting deadlines, the deadline begins to run the day after the day of the event. Because the deadline for delivery of the documents was Wednesday, Thursday is the first day of the 5 business days for rescission. The deadline is in business days, which means that Saturday and Sunday do not count so Thursday is Day 1, Friday is Day 2, Monday is Day 3, Tuesday is Day 4, and Wednesday is Day 5. Deadlines expire at midnight on the day of the deadline.

CASE STUDIES ANSWER KEY

1. The waiver of the transaction fee would appear to be a “thing of value” or a kickback paid for the mere referral of business. The described practice is a violation of RESPA.
2. The mortgage broker is committing mortgage fraud. A licensee is not allowed to draft or use a document that the licensee knows falsely portrays an interest in real estate and is required to disclose the entire sales agreement to the secured lender in a timely manner.

TRUE/FALSE

1. T/F Freddie Mac and Fannie Mae standardize loan qualification and underwriting standards in the primary market.
2. T/F A land contract is the same as an installment contract or a contract for deed.
3. T/F When a buyer purchases property on a land contract, the buyer receives legal title at the time of possession.
4. T/F The seller maintains legal title under a purchase money mortgage.
5. T/F Reverse mortgages provide financing for first-time home buyers with low down payments but good future earning potential.
6. T/F The federal government insures FHA loans.
7. T/F FHA requires certain construction standards before insuring a loan.
8. T/F The VA certificate of reasonable value sets the maximum guarantee to which a veteran is entitled.
9. T/F Regulation Z does not apply to small business loans.
10. T/F RESPA requires a lender to disclose all the terms of a loan if the lender uses triggering terms in advertising.
11. T/F The buyers' offer to purchase indicates that the seller is giving cash to the buyer at closing. The buyers are going to use the money to make minor repairs. The buyers' lender will not issue a loan if the seller gives money to the buyers at closing. The licensee drafts an amendment to the offer stating that the sellers will not provide repair money at closing. The buyers give the amended offer to the bank. The buyers and sellers however, have an oral agreement about the repair money that the sellers will provide at closing. As long as the buyers and sellers are in agreement, the licensee has no obligation to inform the bank of the oral agreement.

TRUE/FALSE ANSWER KEY

1. **True:** Freddie Mac and Fannie Mae influence but do not participate directly in the primary market.
2. **True.**
3. **False:** A land contract requires the transfer of legal title to the vendee when the vendor is paid in full.
4. **False:** A buyer obtains legal title under a purchase money mortgage.
5. **False:** Lower-income individuals benefit from a reverse mortgage by receiving monthly payments drawn from the equity in their homes.
6. **True.**
7. **True.**
8. **False:** For a VA loan, the certificate of eligibility sets the maximum guarantee to which the veteran is entitled.
9. **True.**
10. **False:** The Truth in Lending Act requires a lender to disclose financing charges if triggering terms are used in advertising.
11. **False:** A licensee who becomes aware of the fact that a party to a transaction has not disclosed that party's entire agreement to a lender shall disclose this in writing and in a timely manner to the lender.

QUIZ

1. Which of the following statements best describes loan insurance or a loan guarantee?
 - a. If a borrower is unable to pay, the monthly mortgage payments will be made.
 - b. If a borrower dies, the mortgage is paid off.
 - c. If the property declines in value, the buyer will not lose equity.
 - d. If the borrower is unable to pay, the lender has some protection against potential loss.
2. What is a balloon loan?
 - a. A loan repaid in equal installments.
 - b. A loan where the amortized payments are insufficient to repay the loan during the term.
 - c. A negatively amortized loan that adds to the principal.
 - d. A loan with fluctuating interest rates.
3. What does a lender not have to disclose under the Truth in Lending Act?
 - a. Discount points.
 - b. Origination fees.
 - c. The annual percentage rate.
 - d. Credit report fees.
4. What is a bridge loan?
 - a. A buyer uses equity in an existing home to secure lending to purchase a new home.
 - b. Financing for a commercial transaction.
 - c. When a buyer permits a seller to lease the property.
 - d. A lender receives a share of a developer's profits in exchange for issuing the loan.
5. Who establishes loan amounts for FHA insured loans?
 - a. State governments.
 - b. Rural Development.
 - c. The Department of Housing and Urban Development.
 - d. The primary mortgage market.
6. What is a feature of conventional fixed-rate mortgage loans?
 - a. Borrowers must have a 20% down payment.
 - b. They are easier to qualify for than nonconforming loans.
 - c. Borrowers must purchase private mortgage insurance if the down payment exceeds 20%.
 - d. A lender does not sell them to the secondary market.
7. What is an advantage of VA loans?
 - a. They are government guaranteed.
 - b. The interest rates are always lower than FHA loans.
 - c. The federal government insures them.
 - d. They are easier to pay off than other loans.
8. What kind of mortgage does a buyer receive when a seller acts as a lender and grants a loan to the buyer for a portion of the purchase price?
 - a. Blended rate mortgage.
 - b. Package mortgage.
 - c. Purchase money mortgage.
 - d. Buydown mortgage.

9. A buyer has just closed on a VA loan. Due to the amount of the guarantee and the purchase price of the property, the buyer did not have to put any money down. What kind of title does the buyer receive?
- Legal title
 - Equitable title
 - Marketable title
 - Encumbered title
10. What is the monthly principal and interest payment on a \$150,000 loan at 8% that is amortized over 25 years?
- \$1,101
 - \$1,113
 - \$1,158
 - \$1,170
11. Which would have the least effect on a borrower's ability to obtain financing?
- A credit score of 400.
 - A car repossession from 10 years ago.
 - A late rent payment from 6 months ago.
 - A down payment of 3%.
12. Which of the following is mortgage fraud?
- A borrower receives a loan for a property without a down payment.
 - A licensee drafts an amendment that gives a buyer credit at closing but the closing statement does not reflect this credit.
 - A borrower receives a loan that will be difficult to repay based on the borrower's income.
 - A licensee rewrites an offer increasing the purchase price and incorporating the terms of the original offer by reference.
13. What federal legislation prohibits a real estate licensee from receiving fees from a mortgage originator for a referral?
- RESPA
 - TILA
 - FHA
 - USDA
14. In which of the following situations would a property owner not receive redemption rights?
- The borrower does not maintain the property and the lender wants legal title before the buyer damages the property more.
 - The buyer under a land contract stops making payments to the seller.
 - The property owner deeds the property to the lender to settle the mortgage debt.
 - The borrower defaults on mortgage payments and the lender wants title to the property.
5. A borrower is putting 5% down on a \$100,000 property. On what amount will a lender require PMI?
- \$5,000
 - \$15,000
 - \$20,000
 - \$95,000

16. Aunt Fran wants to remain in her home but is on a fixed income. What financing tool can help her remain in her home and receive monthly payments from the home's equity?
 - a. A shared appreciation mortgage.
 - b. An adjustable rate mortgage.
 - c. A reverse mortgage.
 - d. A bridge loan.
17. Who is the person who obtains a real estate loan by signing a note and a mortgage?
 - a. Mortgagor.
 - b. Beneficiary.
 - c. Mortgagee.
 - d. Vendor.
18. Which of the following is not a participant in the secondary market?
 - a. FNMA
 - b. GNMA
 - c. FHLMC
 - d. RESPA
19. Which of the following best defines the secondary market?
 - a. Lenders who exclusively deal in second mortgages.
 - b. Where loans are bought after they have been originated.
 - c. The major lender of residential mortgages.
 - d. The major lender of FHA and VA loans.
20. A house sells for \$210,000. The buyer is borrowing 90% of the purchase price and paying two points to obtain a lower interest rate. How much will the points cost the borrower?
 - a. \$2,100
 - b. \$3,780
 - c. \$3,950
 - d. \$4,200
21. By when must a lender provide a borrower with a Loan Estimate under TRID lending regulations?
 - a. Within three business days of the loan application.
 - b. Within three days of the loan application.
 - c. Within three days prior to closing.
 - d. Within three business days prior to closing.

QUIZ ANSWER KEY

1. **D:** Private mortgage or FHA insurance or a VA guarantee protect the lender in the event of borrower default.
2. **B:** The final payment of a balloon loan will be due before the amortized payments have paid off the loan.
3. **D:** The Truth in Lending Act requires lenders to disclose finance charges. Finance charges include interest rates, loan fees, discount points, and service fees. Real estate service costs that a borrower would pay regardless of whether a lender will extend credit, such as fees for a credit report, are not finance charges.
4. **A:** A bridge loan is a residential financing arrangement in which a borrower uses an existing home as collateral for a second mortgage to fund the purchase of a new home.
5. **C:** The Department of Housing and Urban Development establishes the loan amounts for FHA loans.
6. **A:** To qualify for a conventional loan, a borrower must have a down payment of 20% unless the borrower will purchase private mortgage insurance. Government loans and nonconforming loans have looser qualifying standards.
7. **A:** VA loans are guaranteed, which means that the VA will compensate the lender for losses incurred in the case of borrower default.
8. **C:** With a purchase money mortgage, a seller acts as a lender and grants a loan to the buyer for a portion of the purchase price.
9. **A:** Under lien theory, the buyer receives legal title at closing. The legal title that the buyer receives is marketable and encumbered.
10. **C:** To calculate a mortgage payment, multiply the loan amount by the factor divided by 1000.
 $\$150,000 / 1000 = 150 \times 7.72 = \$1,158.$
11. **B:** Underwriters review an applicant's credit history for the previous 7 years. A 10 year old car repossession will have the least effect on a borrower's credit.
12. **B:** A licensee does not draft or use any document that portrays an interest in real estate. Drafting an amendment with a credit that is not reflected on a closing statement is fraudulent behavior.
13. **A:** Under RESPA, no person may give or receive fees or kickbacks for referral of settlement services, or give or receive a split or percentage of settlement charges other than for services actually provided.
14. **C:** A deed in lieu of foreclosure is a way for a property owner to avoid foreclosure. Because the borrower does not go through the foreclosure process, the borrower does not have redemption rights that a court awards with judicial or strict foreclosure.

15. **B:** Private mortgage insurance insures the top 20% of the loan, which is \$20,000. Because the borrower has only \$5,000 for a down payment, a lender will require insurance on the \$15,000 that would make up the conventional 20% down payment.
16. **C:** When a homeowner has a reverse mortgage, a lender makes payments to the homeowner based on the equity in the homeowner's property. The reverse mortgage is often repaid from the sale of the property upon the death of the homeowner.
17. **A:** The borrower is the mortgagor. The lender is the mortgagee.
18. **D:** RESPA, the Real Estate Settlement Procedures Act is legislation aimed at protecting borrowers. It is not involved in the purchase of loans from the primary market.
19. **B:** The secondary market is a market created for the purchase and sale of existing mortgages.
20. **B:** $\$210,000 \times .90 = \$189,000$
 $\$189,000 \times .02 = \$3,780$
For testing purposes, the price for one discount point is equal to 1% of the loan amount.
21. **A:** TRID lending requirements state that a lender must provide a borrower the Loan Estimate within three business days of the loan application. The lender must also provide a Closing Disclosure at least three business days prior to closing. TRID stands for TILA/RESPA Integrated Disclosure.

12 | Other Approved Forms

CASE STUDIES

1. A seller wants to withdraw a counter-offer (which has been received by buyer) so that seller can go back and accept buyer's original offer. Can this be done?
2. If a seller does not accept the buyer's amendment by the deadline, is the offer still valid?
3. A seller issued a bump notice to a buyer and the buyer is not going to waive the closing of buyer's property contingency. Should the seller obtain a cancellation agreement and mutual release before accepting another offer as primary?
4. If a buyer includes earnest money with an offer and the seller rejects the offer, must a firm obtain a cancellation agreement and mutual release from the parties before disbursing the earnest money?
5. The sellers countered a buyer's offer and gave the buyers a deadline for acceptance of February 9, at 5 p.m. On February 9, at 3:30 p.m., the buyers accepted and signed the counter. They faxed it to the listing firm according to the delivery terms of the counter-offer and put a copy in the mail. At 4:50 p.m. the listing agent called the selling agent and said that the sellers were withdrawing the counter-offer because they had accepted another offer. Can the sellers withdraw their counter-offer?

CASE STUDIES ANSWER KEY

1. No. A counter-offer is a rejection of the previous offer and a presentation of a new offer. A rejected offer is null and void and cannot be accepted.
2. If a seller does not accept a buyer's amendment by the deadline, the amendment does not change the terms of the contract and the original offer is still valid and binding on the parties. An unaccepted amendment does not cause the offer to become null and void. Buyers and sellers can continue to offer amendments to each other as a method of post-contract negotiation.
3. Before accepting another offer as primary, a seller should be sure that the first buyer does not retain any right to pursue the first offer. For example, if the seller failed to achieve actual receipt when providing the buyer with the bump notice, the buyer could try to continue with the transaction by claiming that because the seller did not achieve actual receipt when providing the bump notice, the notice was not valid and the deadline for waiving the contingency was not triggered. Though the offer appears to be null and void because of the buyer's failure to waive the contingency, the seller will probably want to have the buyer execute a cancellation agreement and mutual release before accepting another offer as primary.
4. REEB 18.09(1)(a) permits a firm to disburse trust funds upon rejection, expiration or withdrawal, prior to binding acceptance, of an offer to purchase. If an offer is rejected, withdrawn or expires before binding acceptance, the listing firm may return earnest money to the buyer. Because the sellers did not accept the offer, the firm does not need to obtain a cancellation agreement and mutual release and can return the earnest money to the buyer.
5. No. Any attempt by the seller to withdraw the counter-offer after binding acceptance is ineffective. The buyer achieved binding acceptance upon delivery of the signed counter-offer.

TRUE/FALSE

1. T/F The correct way to number a WB-44 Counter-Offer is sequentially.
2. T/F A counter-offer serves as a rejection of the offer and a submission of a new offer.
3. T/F The WB-40 Amendment to Offer to Purchase is the correct form to use to negotiate between three prospective buyers and the seller.
4. T/F The WB-42 Amendment to the Listing Contract is the form to use when the listing firm and seller want to change the listing price of seller's home.
5. T/F The WB-40 Amendment to Offer to Purchase should be used when one party is unilaterally giving notice to another party relating to the accepted Offer to Purchase.
6. T/F When one party is given Notice which the other party does not need to approve, both parties must sign the form.
7. T/F The WB-45 Cancellation Agreement and Mutual Release is used to terminate a real estate contract when the parties mutually agree to terminate their original agreement.
8. T/F An Option to Purchase agreement requires the seller to sell and the buyer to buy.
9. T/F Only the seller is required to sign the WB-25 Bill of Sale when the seller transfers the interest one person has in personal property to another person.
10. T/F The WB-25 Bill of Sale must be attached to the Offer to Purchase in order to correctly transfer the seller's interest in personal property to another person.
11. T/F When both parties mutually agree to change one or more of the terms of an accepted offer, a licensee would use the WB-41 Notice Relating to Offer to Purchase.

TRUE/FALSE ANSWER KEY

1. **True:** The NOTE at the top of the WB-44 instructs parties to number the form sequentially.
2. **True.**
3. **False:** A seller uses a WB-46 Multiple Counter-Proposal to negotiate with multiple buyers.
4. **True.**
5. **False:** A party uses a WB-41 Notice Relating to Offer to Purchase.
6. **False:** The party issuing the notice must sign it. A party receiving the notice does not sign it.
7. **True.**
8. **False:** Only the seller is required to sell. A buyer is not required to exercise the option to purchase.
9. **True.**
10. **False.** A WB-25 Bill of Sale transfers title to the personal property when one party gives it to the other party. A party using a WB-25 Bill of Sale usually provides it at closing.
11. **False:** The parties use a WB-40 Amendment to Offer to Purchase.

QUIZ

1. How should a party amend a contract for sale?
 - a. Cross out provisions and initial and date the changes.
 - b. Use an Amendment to Offer to Purchase.
 - c. Draft a new contract.
 - d. Use an Addendum to the Contract for Sale.
2. A buyer makes a written offer and the seller changes some of the terms of the offer, signs it, and delivers it back to the buyer. What is the status of the offer?
 - a. It is a contract for sale.
 - b. It is a contract for sale but does not include the seller's revised terms.
 - c. It is a contract for sale if the buyer initials the seller's revisions and delivers it back to the seller.
 - d. It is rejection of the offer and a presentation of a counter-offer.
3. When would a party not use a WB-46 Multiple Counter-Proposal?
 - a. To issue a non-binding proposal to more than one buyer.
 - b. When a seller does not want to reject offers but would like to suggest modifications to offers.
 - c. After binding acceptance.
 - d. To inform a buyer that the seller is considering other offers.
4. Which of the following does not apply to the process a buyer uses to provide a notice of defects to a seller?
 - a. The notice must be accompanied by a copy of the inspection report.
 - b. The notice must be delivered to the seller by the deadline for the home inspection.
 - c. If the seller has a right to cure, delivery of the notice puts the seller in control of the transaction.
 - d. The notice allows the buyer to negotiate the terms of the offer.
5. How are WB-44 Counter-Offers numbered?
 - a. According to the date of the counter-offer.
 - b. Numbering the form according to how many counters have been made by the party.
 - c. Numbering the form according to how many counters have been made in total by buyer and seller.
 - d. Identifying the form ID number assigned to that particular counter-offer form.
6. How should a buyer draft a second counter-offer so that the second counter-offer includes the first three items of the first counter-offer?
 - a. Write a new offer.
 - b. State the terms of the second counter-offer and incorporate the first three items of the first counter-offer by reference.
 - c. Reissue the first counter-offer with a multiple counter-offer to incorporate any additional changes.
 - d. These provisions cannot be included because the seller rejected them.

7. What is the effect on a transaction if a buyer accepts a seller's WB-46 Multiple Counter-Proposal?
 - a. A binding contract for sale is created.
 - b. The seller must accept the multiple counter-proposal before it is binding.
 - c. The first buyer to accept and deliver the multiple counter-proposal back to the seller will become the primary buyer.
 - d. The buyer that does not become the primary buyer will automatically be put into secondary position.

8. What is the purpose of the expiration date on line 23 of a seller's WB-46 Multiple Counter-Proposal?
 - a. It serves as a safeguard for a buyer because the seller may not cancel before the deadline.
 - b. It represents the latest time a buyer may return the approved multiple counter-proposal.
 - c. It indicates that other buyers cannot respond before the deadline.
 - d. It represents the deadline for any buyer counter-offers.

9. A seller counters a buyer's offer. The buyer rejects the seller's counter-offer. Before the deadline for binding acceptance in the original offer, the seller accepts and delivers the offer back to the buyer. What is the status of this transaction?
 - a. The buyer is bound by the offer to purchase.
 - b. The seller has countered the original counter-offer.
 - c. A sales contract does not exist.
 - d. The buyer is bound if the seller personally delivered the original offer to the buyer and not the buyer's agent.

QUIZ ANSWER KEY

1. **B:** Licensees should use a WB-40 Amendment to Offer to Purchase when both parties mutually agree to change one or more of the terms or conditions of an accepted offer.
2. **D:** A counter-offer is a rejection of an original offer and the issuance of a new offer. Neither party is bound by the terms of the original offer. The buyer does not have to counter or reject the offer by the offer's deadline.
3. **C:** A multiple counter-proposal provides a seller a way to negotiate with several buyers at the same time. It would not be used after binding acceptance because the offer is already a contract for sale. If parties want to change the terms after binding acceptance, the parties should amend the contract.
4. **D:** If an offer gives a seller the right to cure and a buyer delivers a notice of defects, the seller can choose to cure or let the offer become null and void. Parties must provide a copy of the inspection report with the notice and it must be delivered by the date in the home inspection contingency. A party would not use a notice to negotiate the terms of an offer.
5. **C:** The NOTE at the top of the WB-44 Counter-Offer states that parties should number counter-offers sequentially.
6. **B:** The original offer to purchase and the most recent counter-offer constitute the parties' entire agreement. Any provisions that the parties want incorporated must be included in each subsequent counter-offer or be incorporated by reference.
7. **B:** See lines 31-35 of the WB-46 Multiple Counter-Proposal. If the buyer accepts the seller's multiple counter-proposal, it becomes an offer from the buyer to the seller. A seller can choose to accept, reject, or counter a buyer's approved multiple counter-proposal. If the seller accepts the buyer's accepted multiple counter-proposal, it creates a binding sales contract.
8. **B:** Lines 21-23 of the WB-46 Multiple Counter-Proposal state: "This Multiple Counter-Proposal by Seller will expire and be null and void unless a copy of the approved Multiple Counter-Proposal (see lines 31-33) is delivered to Seller in any manner authorized in the Offer to Purchase on or before..."
9. **C:** A counter-offer is a rejection of the original offer. A party that makes an offer is relieved of contract obligations created by that offer if a party counters the offer. A seller does not have the ability to accept an offer to purchase after the seller has countered or rejected the offer.

13 | Contract Law

CASE STUDIES

1. Buyers have a sales contract scheduled to close on April 25, contingent on the sale of their existing home by April 19. The buyers do not remove the contingency by April 19 and they did not close on the home on April 25. The buyers receive an offer on their property. It was then discovered that the buyers' deadlines have passed. Is that original offer that was scheduled to close on April 25 still in place?
2. A buyer's agent writes an offer and includes a contingency that states "a stove to be included in the purchase price." The seller wants to replace the existing stove with a different stove. The buyer has a problem with the exchange. Can the seller replace the stove?
3. Does a signature on a counter-offer create a binding contract if a co-owner personally signed it and then signed the other co-owner's name and initialed next to it?
4. A licensee has listed a property owned by three people. Who must sign the listing contract and the offer to purchase?

CASE STUDIES ANSWER KEY

1. When the deadline for the sale of buyer's property passed, the offer became unenforceable against the buyer. Because the buyers could not satisfy the closing of buyer's property contingency, the seller could not ask a court to enforce the offer against the buyers. If the buyers still wanted to purchase seller's property, the buyers could ask the seller to agree to an amendment to the offer to purchase extending the date for closing and creating a new deadline for the closing of buyer's property contingency. If the buyers let the date for closing pass without amending the offer and then tried to revive it after receiving an offer on their own property, the seller could agree to this but would not be obligated to do so.
2. The contingency drafted in the offer is ambiguous. A court construes ambiguous drafting terms against the drafter, which in this case is the buyer because the buyer's agent drafted the offer. A seller may be able to take the existing stove and replace it with something similar based on the terms of the contract but if the seller substituted the stove with an inferior stove, the buyer may have a more substantial claim for relief under the terms of the contract.
3. No. If a party signs another party's name in the manner described, the signature will not conform to the statutory requirements found at Wis. Stats. § 706.03(1m). A party signing on behalf of another should provide written proof of permission to do so and sign as an agent of the other party rather than signing the other party's name. For example, a buyer makes an offer on a property owned by Judy and Betty. Judy is in France on vacation but before leaving, Judy gave Betty written permission to act as her agent. Judy and Betty accept the offer. Betty signs her own name and then signs "Betty, as agent for Judy." Betty should provide written proof of her authority to sign on behalf of Judy.
4. The listing contract must be signed by the person agreeing to pay a commission. The law does not require that all the owners sign a listing contract for it to be enforceable. For example, a husband signing a listing will be liable for a commission to a firm who successfully procures a buyer even if the wife did not sign the listing contract. Unlike the listing, all property owners must sign an offer to purchase to create an enforceable and valid sales contract.

TRUE/FALSE

1. T/F Because contract law is always changing, licensees can give legal advice only when acting as a buyer's agent.
2. T/F A contract is not considered valid unless the parties have a meeting of the minds.
3. T/F A buyer breaches a contract. One of the seller's remedies is to keep the earnest money and then sue the buyer for damages.
4. T/F A party fails to perform by a deadline where time is of the essence. The contract is now void.
5. T/F To "use a form" means to fill in the blanks of an approved form.
6. T/F A licensee may use an unapproved offer to purchase if a party directs the licensee to use the form.

TRUE/FALSE ANSWER KEY

1. **False:** Licensees can explain contract provisions to the parties and complete a contract on behalf of a party. Licensees cannot give legal advice.
2. **True.**
3. **False:** If a seller chooses to keep a buyer's earnest money, the seller is agreeing to forgo all other remedies and accept the amount of earnest money as the maximum damages for the breach. If the seller wants to pursue a claim for damages in excess of the amount of the earnest money, the seller must return the earnest money to the buyer and file a lawsuit against the buyer for the amount of the damages.
4. **False:** Failure to perform by a deadline where time is of the essence makes a contract voidable by the non-breaching party. The non-breaching party can choose to void the contract or continue with the transaction.
5. **True.**
6. **False:** A licensee is permitted to use department-approved forms, out-of-state real estate forms for purchase of property in another state as long as the licensee is physically in Wisconsin and competent to complete the forms, and forms prepared by governmental agencies for use with government programs. A licensee can also use pre-prepared addenda if an attorney drafted the addenda and is identified on it. For example, licensees can use WRA forms to supplement department approved forms in a transaction because an attorney drafted the forms and is identified on them.

QUIZ

1. What kind of contract is a listing contract?
 - a. An implied contract.
 - b. A bilateral contract.
 - c. A unilateral contract.
 - d. An unenforceable contract.
2. What do parties achieve when they agree on all terms of a contract?
 - a. Mutual consideration.
 - b. Consequential undertaking.
 - c. A meeting of the minds.
 - d. Specific performance.
3. Andy lists a property on July 1 and sells it on August 15. The closing takes place on October 1. What should Andy do to comply with mandatory record retention rules?
 - a. All documents should be retained for two years after October 1.
 - b. All documents should be retained for two years after July 1.
 - c. The offer should be retained for two years beginning with the day of acceptance.
 - d. The closing documents must be retained for two years after October 1.
4. When must a licensee leave a copy of a listing contract with a seller?
 - a. In all cases.
 - b. The seller requests it.
 - c. If the licensee receives an offer to purchase.
 - d. If the listing contract is not on a state-approved form.
5. When does a licensee present a copy of a lease to a property owner who is represented by a property manager?
 - a. The property owner requests it.
 - b. It is signed by all parties.
 - c. The tenant pays the first month's rent.
 - d. When the tenant accepts the rental agreement.
6. Which of the following is true of an offer accompanied by a diamond worth \$2,000?
 - a. The diamond is good consideration.
 - b. The diamond is unacceptable consideration.
 - c. The diamond is valuable consideration.
 - d. The buyer cannot offer a non-depositable item as earnest money.
7. Which is not necessary to create a valid real estate contract?
 - a. Consideration.
 - b. An offer and acceptance.
 - c. A notary acknowledgment.
 - d. Signatures of the parties to be bound by the contract

8. How should a licensee delete a provision from an approved form?
 - a. Strike it out so that it is no longer visible.
 - b. Erase it.
 - c. Strike it out so that it remains legible.
 - d. Use "white out" to remove it.

9. According to Wisconsin administrative code, when can a real estate licensee fill out approved forms?
 - a. If separate compensation is charged for this service and all parties specifically consent.
 - b. In transactions in which the licensee is acting as an agent or a principal.
 - c. After explaining the legal effect of the forms and providing advice in the case of breach of contract.
 - d. If the attorney that drafted the form has included the attorney's identification on the form.

10. Can a licensee use an offer to purchase created by a relocation company?
 - a. Yes, if the licensee is working as a buyer's agent.
 - b. Yes, if accomplishing the contractual intent of the buyer.
 - c. No, the licensee cannot be involved in the sale and must refer the buyer to an attorney.
 - d. No, the licensee can negotiate the terms but must have the buyer or the buyer's attorney fill in the blanks.

11. Which of the following describes a licensee's authority to prepare real estate contracts?
 - a. Licensees shall complete department approved forms.
 - b. Licensees shall counsel buyers on the legal status of a contract.
 - c. Licensees shall use State Bar approved listing contracts and offers to purchase.
 - d. Licensees shall charge a flat fee for preparing offers for customers.

12. When can a licensee modify an approved form?
 - a. Never.
 - b. To accomplish the contractual intent a party.
 - c. Only when acting as the licensee.
 - d. When it is in the licensee's best interest.

13. What is the status of a contract that does not contain all the essential elements?
 - a. Void.
 - b. Voidable.
 - c. Unenforceable.
 - d. Enforceable.

14. What should a licensee do to protect parties in a transaction?
 - a. Create oral contracts as long as the parties understand the terms.
 - b. Create general contracts with the details to be filled in later.
 - c. Create contracts that are complete, exact, and in writing.
 - d. Require an attorney approval contingency in all offers to purchase.

15. Which of the following is true of a licensee's use of approved forms?
 - a. Licensees may not use approved forms when they are working for a family member.
 - b. A salesperson may not prepare forms for or get involved in a government transaction.
 - c. Licensees may only prepare forms if the form is drafted by an attorney.
 - d. Licensees may use approved forms when acting as an agent or principal in a transaction.

16. Which of the following is permissible under Wisconsin administrative rules?
 - a. Tom explains to his client that a seller may be held liable for misrepresentation made about the condition of the property.
 - b. Tom tells his client to title her property as a joint tenancy with her sister.
 - c. Tom explains that seller warranties and representations must be disclosed to the buyer and then advises seller not to disclose anything to the licensee that the seller does not want disclosed to a buyer.
 - d. Tom drafts a new listing contract because his client did not want to use the state-approved form.

17. What is the status of a sales contract that contains an incorrect legal description?
 - a. Void.
 - b. Voidable.
 - c. Unenforceable.
 - d. Enforceable.

18. To create a valid sales contract, which parties must sign it?
 - a. Seller.
 - b. Seller and buyer.
 - c. Seller, buyer, and listing licensee.
 - d. Seller, buyer, and all licensees to the transaction.

19. An option to purchase is an example of:
 - a. an unilateral contract.
 - b. a bilateral contract.
 - c. an offer prior to acceptance.
 - d. an executed contract.

QUIZ ANSWER KEY

1. **B:** The sales contract has both parties exchanging promises.
2. **C:** Meeting of the minds means that there is a complete agreement about the purpose and terms of a contract.
3. **A:** REEB 15.04 Obligation to Furnish Copies and Maintain Records: A firm shall retain for at least two years exact and complete copies of all listing contracts, agency agreements, offers to purchase, leases, closing statements, deposit receipts, cancelled checks, trust account records and other documents or correspondence received or prepared by a firm's licensees in connection with any transaction. The retention period shall run from the date of closing of the transaction or, if the transaction has not been consummated, from the date of termination of the agency agreement.
4. **A:** REEB 15.02 Obligation to Furnish Copies and Maintain Records: A licensee shall promptly provide an exact and complete copy of any document utilized in real estate practice to any person who has signed the document.
5. **A:** See REEB 15.02(3) Obligation to Furnish Copies and Maintain Records: A licensee shall promptly distribute an exact and complete copy of a lease that has been accepted and signed by all parties to the tenant when the tenant leases the property and to the landlord upon the landlord's request.
6. **C:** The diamond is valuable consideration. The term good consideration refers to promises made between the parties and a buyer can offer anything the buyer chooses as consideration. The licensee cannot hold non-depositable items.
7. **C:** A notary's acknowledgement is required on documents that are recorded in public records. An offer to purchase is typically not recorded or notarized. A notary's acknowledgement does not affect the validity of a contract.
8. **C:** See REEB 16.06(3) Approved Forms and Legal Advice: A licensee may cross out provisions on approved forms to reflect the agreement of a party to a transaction, provided that the deleted provisions remain legible.
9. **B:** See REEB 16.05(3) Approved Forms and Legal Advice: A licensee may use approved forms only in those transactions in which the licensee is acting in a capacity as licensee or in which the licensee is a principal, and in either case the use of such forms is incidental to the real estate practice of the licensee.
10. **D:** REEB 16. A licensee can only complete the state-approved form. This does not prohibit the buyer and seller from using their own forms. If the parties want to use a form other than the state-approved forms, the parties must fill in the blanks.
11. **A:** See REEB 16.04 Approved Forms and Legal Advice: Salespeople shall use forms prepared and approved by the department.
12. **B:** See REEB 16.06(8) Approved Forms and Legal Advice: A licensee shall use approved forms and prepare addenda in such a manner as to adequately accomplish the contractual intent of the person for whom the licensee uses the forms and prepares the addenda.

13. **A:** A void contract is one that lacks legal purpose or essential requirements.
14. **C:** Contracts should be drafted with clear language so that each party knows how to perform to accomplish the terms of the contract. A licensee drafting a contract needs to accomplish the intent of the party and does not have the authority to require an attorney's approval contingency in every contract.
15. **D:** REEB 16.05(3) Approved Forms and Legal Advice: A licensee may use approved forms only in those transactions in which the licensee is acting in a capacity as licensee or in which the licensee is a principal, and in either case, the use of such forms is incidental to the real estate practice of the licensee.
16. **A:** "B, C, and D" are all examples of providing legal advice and are prohibited under REEB 16.
17. **C:** An incorrect legal description in an ambiguous term that would make a contract unenforceable by a court.
18. **B:** Wis. Stat. § 706.02 requires that the signatures of all parties are required on a lease or a contract to convey. The parties to a sales contract are the seller and the buyer.
19. **A:** An option to purchase is an example of a unilateral contract because only the optionor is bound by the contract.

14 | Trust Accounts

TRUE/FALSE

1. T/F The interest earned by the interest bearing real estate common trust account is remitted to the Department of Administration.
2. T/F All client funds a real estate firm holds must be placed into an interest bearing real estate common trust account.
3. T/F If a buyer wants to receive interest earned from earnest money, a real estate firm may draft the agreement.
4. T/F Client funds include promissory notes.
5. T/F A firm can withdraw and use the interest of an interest bearing real estate common trust account, as long as the firm has the permission of all the parties.
6. T/F The depository institution that is holding funds in an interest bearing real estate common trust account may deduct a service charge from the interest earned before remitting it to the Department of Administration.
7. T/F A firm shall deposit all real estate trust funds received by the firm into a real estate trust account within 48 hours of receipt of the monies.
8. T/F A buyer would like to pledge a boat valued at \$10,000; a firm can hold this item.

TRUE/FALSE ANSWER KEY

1. **True.**
2. **True.**
3. **False:** An attorney or the parties to the transaction should draft the agreement.
4. **False:** The definition of client funds specifically states promissory notes are not included.
5. **False:** Under no circumstances can a firm use or claim the interest of an IBRETA account.
6. **True.**
7. **True.**
8. **False:** A firm cannot hold a non-depositable item.

QUIZ

1. Which of the following would not necessarily belong in a firm's mandatory interest-bearing trust account?
 - a. Earnest money deposits.
 - b. Security deposits.
 - c. Advance fees.
 - d. A down payment for a land contract.
2. The buyers want an attorney to hold their earnest money. Who should draft the earnest money agreement?
 - a. An attorney.
 - b. Buyer's firm.
 - c. Seller's listing agent.
 - d. None of the above.
3. Client funds do not include:
 - a. down payments.
 - b. earnest money.
 - c. promissory notes.
 - d. additional earnest money.
4. Generally, a firm must deposit real estate trust funds within what time frame?
 - a. 48 hours.
 - b. 24 hours.
 - c. Two working days.
 - d. 72 hours.
5. The interest from an interest bearing real estate trust account is annually remitted to the:
 - a. Department of Finance.
 - b. Department of Motor Vehicles.
 - c. Department of Administration.
 - d. Department of Safety and Professional Services.

QUIZ ANSWER KEY

1. **B:** Security deposits received by a licensee may not be client funds. A firm's mandatory interest bearing trust account is for client funds and other real estate funds, such as security deposits, should be deposited in an interest bearing real estate trust account or a non-interest bearing trust account for real estate funds other than client funds.
2. **A:** If the parties choose to have someone other than the firm hold the monies, the parties or an attorney should draft an escrow agreement.
3. **C:** Wis. Stat. 452.13(1)(a): Client funds means all down payments, earnest money deposits or other money related to a conveyance of real estate that is received by a broker, salesperson or time-share salesperson on behalf of the principal or any other person. 452.13(1)(a) specifically states that client funds do not include promissory notes.
4. **A:** REEB 18.031: A firm shall deposit all real estate trust funds received by the firm or its licensees in a real estate trust account within 48 hours of receipt of the trust funds.
5. **C:** Interest from the IBRETA accounts is calculated by the depository institution, annually remitted to the Department of Administration, and is used for homeless assistance programs.