25 Hardest National Real Estate Exam Questions

Free Preview · The Patterns That Bury First-Time Test-Takers

2026 Edition · StudyStack.org

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Why these 25?

The National portion makes up 60-70% of every state's real estate salesperson exam, and roughly half of first-time test-takers fail. Almost nobody fails because the material is hard. They fail because the **wrong answers feel right**. The textbook teaches the concept — but the exam writers turn around and use that same concept against you.

These 25 questions are the patterns that bury people. The dual-agency consent timing trap. The lien priority trap where property taxes jump the line. The right-of-rescission trap that does NOT apply to purchase mortgages. The net-listing trap where you have to divide instead of add. Every question below has a full breakdown of why each wrong answer feels right, plus a one-line principle to lock the concept in.

If you can answer these 25 cold, you've handled the meanest patterns the National exam knows how to throw at you.

This is a free preview. The full guide has 350+ questions across all 12 chapters, the federal law quick reference, the math cheat sheet, and the strategy chapter for test day. $49 at studystack.org.

Q1: The dual-agency confidentiality trap

A listing broker has a signed listing agreement with a seller who confided she'll accept $50,000 below asking due to a job relocation. A buyer walks in unrepresented and asks the broker to also represent him. Both parties sign informed written consent to dual agency. The buyer then asks the broker what the seller's lowest acceptable price is. What must the broker do?

A) Disclose the $50,000 below asking — both parties consented to dual agency B) Disclose it only if the buyer makes a written offer first C) Refuse to disclose the seller's bottom-line price D) Withdraw from the transaction since dual agency is impossible

Correct answer: C

Why this one's right: Dual agency consent does NOT cancel the duty of confidentiality. When a broker becomes a dual agent, they lose two specific duties — full disclosure and undivided loyalty — but confidentiality about either party's negotiating position, motivation, or bottom-line price is **preserved for both sides**. The whole point of dual agency consent is that the broker can facilitate the deal without weaponizing what either party told them.

Why the wrong answers feel right:

- **A)** Consent feels like it unlocks everything. It doesn't. Consent only authorizes the representation arrangement, not disclosure of negotiating positions.
- **B)** "Once a real offer is on the table" sounds like a clean trigger, but no such rule exists. Confidentiality applies before, during, and after dual agency.
- **D)** Tempting because dual agency is genuinely hard, but it is legal in most states with written consent — withdrawing isn't required.

The principle to remember: Dual agency consent unlocks the relationship, not the secrets.

Q2: The obedience trap (Fair Housing override)

A seller signs an exclusive listing agreement and instructs the broker in writing, "Do not show this home to any families with children — I want quiet retired buyers only." What must the broker do?

A) Follow the instruction — obedience is a fiduciary duty B) Follow the instruction but document it in the file in case of a complaint C) Refuse the instruction because it violates the Fair Housing Act D) Discuss it with the brokerage attorney before deciding

Correct answer: C

Why this one's right: Obedience is a fiduciary duty owed to clients — but it has a hard ceiling. **Obedience never applies to illegal instructions.** Familial status has been a federally protected class under the Fair Housing Act (42 U.S.C. § 3604) since the 1988 amendments. A broker who follows this instruction is a co-violator and personally liable. The broker must refuse and explain why; if the seller insists, the broker withdraws from the listing.

Why the wrong answers feel right:

- **A)** Obedience is real, and "I was just following client instructions" feels like a defense. Federal anti-discrimination law overrides it every time.
- **B)** Documentation is good general practice, but documenting a violation doesn't legalize the violation. You become a record-keeping participant in discrimination.
- **D)** Consulting an attorney sounds responsible, but on the exam, any answer that says "follow then ask later" is wrong when Fair Housing is in play. The refusal must be immediate.

The principle to remember: Federal anti-discrimination law beats every fiduciary duty. Always.

Q3: The HIV/AIDS disclosure trap

A buyer is touring an older home and directly asks the agent, "Did anyone die in this house?" The agent knows the previous owner died of AIDS-related complications two years ago. State law requires disclosure of any death in the property within the last three years. What should the agent do?

A) Disclose the death and the cause, since the buyer asked directly B) Disclose that a death occurred but not the cause C) Refuse to discuss the matter entirely D) Lie and say no, since AIDS information is protected

Correct answer: B

Why this one's right: Disability status is a protected class under the **Fair Housing Act of 1988** amendments (42 U.S.C. § 3604), and HIV/AIDS is treated as a disability. The agent cannot disclose that a former occupant had HIV/AIDS even when the buyer asks. But the **fact of death** is governed by state law on stigmatized property — and where state law requires it, the death itself must be disclosed without identifying the medical cause.

Why the wrong answers feel right:

- **A)** "The buyer asked directly" feels like it should unlock disclosure. It doesn't. Federal protected-class status overrides the buyer's request — there's no waiver mechanism.
- **C)** Refusing entirely feels safe, but it violates the state-law obligation to disclose deaths. Silence on a material fact is its own liability.
- **D)** Lying is never the answer on a real estate exam. Misrepresentation about a material fact is fraud, regardless of the protected-class issue.

The principle to remember: Disclose the death if state law requires; never disclose the cause if it touches a protected class.

Q4: The Megan's Law trap

A nervous buyer with young children asks the agent whether there are any registered sex offenders living near the property she wants to buy. The agent has not checked the registry. What should the agent do?

A) Check the state registry immediately and report any findings to the buyer B) Refer the buyer to the state's publicly available sex offender registry C) Tell the buyer "there are none I'm aware of" D) Refuse to discuss the topic at all

Correct answer: B

Why this one's right: Under federal **Megan's Law** (now folded into the **Sex Offender Registration and Notification Act / SORNA**, 42 U.S.C. § 16901 et seq.), every state maintains a publicly accessible registry. The law does **not** require the agent to research it. Two risks if the agent does: (1) liability if they miss one, and (2) Fair Housing steering claims if they share registry info with some buyers but not others. The correct move is to refer the buyer to the state registry — most state contracts include a standard Megan's Law advisory clause.

Why the wrong answers feel right:

- **A)** Seems like the helpful answer. It's the most dangerous. The moment an agent vouches for a neighborhood's registry status, they own any miss or omission.
- **C)** Casual reassurance feels harmless. It's actually a representation of fact — and if it's wrong, it's misrepresentation.
- **D)** Refusing to discuss looks evasive and isn't accurate either — the agent should not refuse, they should redirect.

The principle to remember: Send the buyer to the registry. Never look it up yourself.

Q5: The Lead-Based Paint trigger date trap

An agent lists a single-family home built in 1977 for sale. The seller refuses to sign the federal Lead-Based Paint Disclosure form. What must the agent do?

A) List the home — the federal rule applies only to homes built before 1970 B) List the home — the rule applies to rentals only C) Refuse the listing or withdraw — disclosure is mandatory for any pre-1978 home D) Disclose lead paint themselves to satisfy the federal requirement

Correct answer: C

Why this one's right: The federal **Residential Lead-Based Paint Hazard Reduction Act of 1992** (42 U.S.C. § 4851; 24 CFR Part 35; 40 CFR Part 745) applies to "target housing" — residential housing built **before 1978**. A 1977 home is squarely covered. The seller must complete the disclosure form, provide the EPA pamphlet "Protect Your Family From Lead in Your Home," include the lead warning statement in the contract, and offer a **10-day inspection opportunity**. If the seller refuses, the agent is **personally liable** for facilitating a non-compliant sale (up to ~$22,000 per violation plus triple damages). The only correct move is to refuse or withdraw.

Why the wrong answers feel right:

- **A)** 1970, 1972, and 1978 all sound plausible if you didn't drill the date. The trigger is **1978** and only 1978.
- **B)** The rule covers both sales and leases of pre-1978 residential housing — not just rentals.
- **D)** The agent can't "self-disclose" the seller's knowledge. The seller signs the disclosure form. The agent's job is to ensure compliance, not substitute for it.

The principle to remember: Pre-1978 housing → disclose, pamphlet, 10 days. No exceptions you can paper over.

Q6: The counteroffer-kills-the-offer trap

A buyer submits a written offer to purchase for $300,000. The seller writes "I accept at $310,000" on the offer and signs it. Before the buyer responds, the seller calls and says, "Forget the $310,000 — I'll take your original $300,000." Is there a binding contract?

A) Yes — the seller's verbal acceptance revives the original $300,000 offer B) Yes — the seller's later acceptance overrides the counteroffer C) No — the counteroffer terminated the original offer, and verbal acceptance is unenforceable for real estate anyway D) No — only because the seller never paid earnest money

Correct answer: C

Why this one's right: A counteroffer **legally rejects** the original offer and creates a new one. The original $300,000 offer is dead the moment the seller wrote "$310,000" — it cannot be revived by the seller alone. Only the buyer can now revive it by making a new $300,000 offer. Even if revival were possible, the **Statute of Frauds** requires real estate purchase contracts to be in writing — a verbal "I'll take it" is unenforceable.

Why the wrong answers feel right:

- **A)** It feels like the seller is "going back" to the deal both sides liked, but contract law doesn't work that way. Once rejected, an offer is dead.
- **B)** "Later in time wins" sounds like a clean rule. It's not. The mirror-image rule requires the original offer to still be alive when accepted.
- **D)** Earnest money is NOT an essential element of a valid real estate contract — the buyer's promise to pay the price IS the consideration. This is a separate exam trap.

The principle to remember: A counteroffer kills the original offer. Only the original offeree can make a new one at the old price.

Q7: The earnest-money-as-essential-element trap

Which of the following is NOT one of the essential elements of a valid real estate purchase contract?

A) Competent parties B) Earnest money C) Lawful purpose D) Written form (Statute of Frauds)

Correct answer: B

Why this one's right: The essential elements are competent parties, offer and acceptance, **consideration**, legality, and (for real estate) written form. **Earnest money is not consideration** — the buyer's promise to pay the full purchase price is the consideration. Earnest money is customary, it shows good faith, and it provides a clean source of liquidated damages if the buyer defaults — but a real estate contract without earnest money is still fully valid and enforceable.

Why the wrong answers feel right:

- **A)** Competent parties is genuinely essential — a minor or court-declared incompetent can't form a binding contract.
- **C)** Lawful purpose is essential — a contract for an illegal use is void from day one.
- **D)** Real estate purchase contracts must be in writing under the Statute of Frauds.

The principle to remember: The promise to pay the price IS the consideration. Earnest money is optional.

Q8: The net listing conflict-of-interest trap

A seller tells a broker, "I want $200,000 net from this sale. Whatever you sell it for above that, keep as your commission." The broker sells the home for $265,000. Which statement is TRUE?

A) This is a standard exclusive right to sell listing and the broker's $65,000 is earned B) This is a net listing — illegal in many states because of the conflict of interest it creates C) This is a bargain and sale agreement, perfectly valid D) This is an open listing and only enforceable if the seller pays the broker

Correct answer: B

Why this one's right: This is the textbook definition of a **net listing** — the broker keeps everything above the seller's net target. Net listings are **illegal in many states** (California, Florida, New Jersey, and others) because they create a massive conflict of interest: the broker is incentivized to misrepresent market value downward when taking the listing, then pocket the spread. Where they are still legal, they are heavily disclosure-regulated.

Why the wrong answers feel right:

- **A)** "Exclusive right to sell" sounds technical and correct, but exclusive right to sell pays a percentage of price, not a spread.
- **C)** "Bargain and sale" is a deed type, not a listing type. Common terminology confusion the exam exploits.
- **D)** "Open listing" describes broker exclusivity, not how commission is calculated. The conflict-of-interest issue has nothing to do with open vs. exclusive.

The principle to remember: If the broker keeps the spread above a seller's target, it's a net listing — and that conflict is illegal in many states.

Q9: The "title transfers at recording" trap

A grantor signs a properly drafted general warranty deed in front of a notary on Tuesday. On Wednesday, the deed is handed to the grantee, who accepts it. On Friday, the grantee records the deed at the county recorder's office. When did title legally transfer from grantor to grantee?

A) Tuesday — when the deed was signed and notarized B) Wednesday — when the deed was delivered and accepted C) Friday — when the deed was recorded D) Saturday — when constructive notice attaches to the world

Correct answer: B

Why this one's right: Title transfers at **delivery and acceptance** of the deed. Signing alone doesn't move title (a signed deed sitting in a drawer transfers nothing). Recording is a protective step against later third-party claims — it does not affect ownership between grantor and grantee. The moment the grantor hands over the deed and the grantee accepts it, title has passed.

Why the wrong answers feel right:

- **A)** Notarization feels like the "official" moment, and many people associate signing with finality. Notarization is required to record, not to transfer.
- **C)** This is the most popular wrong answer. Most people assume that whatever's "on file" controls ownership. It controls **priority against third parties**, not ownership between the two parties.
- **D)** Constructive notice is a real concept, but it relates to who can later claim against the deed, not when title transferred.

The principle to remember: Title transfers at delivery and acceptance. Recording protects against the world, not between the parties.

Q10: The owner's vs. lender's title policy trap

A buyer purchases a $400,000 home with a $300,000 mortgage. At closing, the lender requires a title insurance policy, and the buyer pays for it. Six months later, an undisclosed heir of a prior owner files a valid claim against the title. Is the buyer protected?

A) Yes — title insurance always protects whoever paid for the policy B) Yes — undisclosed heirs are the textbook covered claim C) No — the lender's policy protects only the lender; the buyer needed a separate owner's policy D) No — title insurance never covers heirs' claims

Correct answer: C

Why this one's right: The lender's policy and the owner's policy are **two separate policies**. The lender's policy protects only the lender's interest, which is the loan balance — it shrinks as the loan amortizes. To protect their own equity, the buyer needed to also purchase an **owner's policy**, which covers the full purchase price and lasts as long as the buyer or their heirs own the property. Most title companies offer the owner's policy at closing for a steeply discounted "simultaneous issue" price — but the buyer has to actually choose to buy it.

Why the wrong answers feel right:

- **A)** "You paid for it, you're covered" feels like common sense for any other type of insurance. Title insurance is different — the policy beneficiary is whoever is named, not whoever paid.

- **B)** Title insurance DOES cover undisclosed heirs, but only for whoever has a policy. The buyer in this question doesn't.
- **D)** Patently wrong — undisclosed heirs are one of the most common claims title insurance pays out on.

The principle to remember: Lender's policy protects the lender. Owner's policy protects the owner. Two policies. Buyer needs both.

Q11: The REO deed trap (general vs. special warranty)

A bank forecloses on a residential property and sells it to a new buyer as REO ("real estate owned"). What type of deed is the bank MOST likely to use?

A) General warranty deed — banks must provide the highest level of protection B) Special warranty deed — warrants only against defects arising during the bank's ownership C) Quitclaim deed — banks transfer no interest at all D) Patent deed — required for any post-foreclosure sale

Correct answer: B

Why this one's right: A **special warranty deed** (sometimes called a limited warranty deed) warrants only against title defects that arose **during the grantor's ownership**. Banks selling foreclosed property never want to warrant against defects from before they took title — they have no knowledge of and no liability for the property's history. So they use special warranty (or in some states a bargain and sale or sheriff's deed). A general warranty deed warrants against defects from any time, even before the grantor owned the property — that's the standard for arm's-length residential sales, not REO.

Why the wrong answers feel right:

- **A)** Buyers assume any "warranty deed" is a general warranty deed. The "special" qualifier changes everything — the scope of the warranty is dramatically narrower.
- **C)** A quitclaim conveys no warranty at all, but banks generally do warrant their own period of ownership.
- **D)** "Patent deed" refers to the original federal grant of land — not used for post-foreclosure sales.

The principle to remember: REO and estate sales use special warranty. Only the typical arm's-length residential sale uses general warranty.

Q12: The right-of-rescission "purchase" trap

A buyer closes on the purchase of her new primary residence on Tuesday using a federally regulated mortgage. The closing went smoothly. By when does her right of rescission expire?

A) Midnight on Wednesday — the next business day B) Midnight on Friday — three business days after closing C) Midnight on the third business day, plus a 20-day refund window D) There is no right of rescission on a purchase mortgage

Correct answer: D

Why this one's right: The three-business-day right of rescission under **TILA § 1635** (15 U.S.C. § 1635; Reg Z, 12 CFR § 1026.23) applies to loans secured by the borrower's **principal dwelling** — refinances, home equity loans, and HELOCs. It does **NOT** apply to a loan used to **purchase** that dwelling. The reasoning: the borrower already chose to take the loan to buy the house; the rescission right exists to give borrowers a cooling-off period when they pledge a home they already own as collateral. Almost everyone misses this question because they remember "three business days" without remembering the refis-only carve-out.

Why the wrong answers feel right:

- **A)** "Next business day" sounds vaguely like a TILA disclosure timing rule and gets remembered wrong.
- **B)** Three business days is the correct count for refinances — which makes it the most-clicked wrong answer here.
- **C)** The 20-day refund window is a real TILA rule (lender must return fees within 20 calendar days of rescission), but rescission isn't available on a purchase to begin with.

The principle to remember: Right of rescission = refinances, HELOCs, home equity. Never purchase loans.

Q13: The Ginnie/Fannie/Freddie trap

Which secondary market entity GUARANTEES mortgage-backed securities composed of FHA and VA loans?

A) Fannie Mae (FNMA) B) Freddie Mac (FHLMC) C) Ginnie Mae (GNMA) D) The Federal Reserve

Correct answer: C

Why this one's right: Ginnie Mae is a wholly government-owned corporation inside HUD. Unlike Fannie and Freddie (which are government-sponsored enterprises in federal conservatorship), Ginnie carries the **full faith and credit of the U.S. government**. Ginnie does NOT buy loans. It **guarantees** mortgage-backed securities backed by federally insured loans — FHA, VA, USDA, and other HUD programs. Fannie and Freddie buy conventional conforming loans and bundle them into their own MBS.

Why the wrong answers feel right:

- **A)** Fannie Mae is the household name and gets picked by default. Fannie deals in conventional, not FHA/VA.
- **B)** Freddie Mac is also conventional and tends to buy from smaller thrift institutions.
- **D)** The Federal Reserve sets monetary policy and the federal funds rate. It doesn't guarantee MBS at the issuance level.

The principle to remember: Fannie & Freddie buy Conventional. Ginnie Guarantees Government.

Q14: The acceleration vs. alienation clause trap

A homeowner has stopped making mortgage payments for three consecutive months. Which clause in the mortgage allows the lender to demand the entire remaining balance immediately due?

A) Alienation clause B) Defeasance clause C) Acceleration clause D) Subordination clause

Correct answer: C

Why this one's right: The **acceleration clause** is what makes foreclosure possible. Without it, a lender could only sue for each missed monthly payment one at a time — totally unworkable. The acceleration clause says: on default, the entire remaining balance becomes immediately due. That's what triggers the lender's right to foreclose on the full debt.

Why the wrong answers feel right:

- **A)** Alienation (a.k.a. "due-on-sale") is the most-confused clause. Alienation accelerates the loan when the borrower **sells** the property — not when they default. Default = acceleration; sale = alienation.
- **B)** Defeasance is the OPPOSITE — it requires the lender to release the lien once the loan is paid in full. Pay-off, not default.
- **D)** Subordination governs lien priority (e.g., a refinanced first stays in first position).

The principle to remember: Default triggers acceleration. Sale triggers alienation. Don't swap them.

Q15: The "all of the following EXCEPT" RESPA trap

Under RESPA Section 8 (12 U.S.C. § 2607), all of the following payments are PROHIBITED as kickbacks EXCEPT:

A) A title company paying a real estate broker $200 for each closing referred to it B) A home inspector giving a listing agent a $300 gift card as year-end "thanks" for sending business C) A lender paying an agent a percentage of loan origination fees for clients steered to it D) A licensed real estate broker paying a referral fee to another licensed broker for a client referral

Correct answer: D

Why this one's right: Two test traps stacked together. First the **negative wording** — "EXCEPT" — flips the search from "what's prohibited" to "what's permitted." Second the **RESPA Section 8 carve-out**: cooperative brokerage and referral fees **between licensed real estate brokers** are explicitly permitted. Every other answer here is a textbook RESPA Section 8 violation. Penalties run up to $10,000 and one year in prison per violation, plus civil liability for 3× the kickback amount.

Why the wrong answers feel right:

- **A)** Per-closing referral payments from a settlement service provider are the canonical Section 8 violation — they look like an everyday business relationship but they're not.
- **B)** Holiday gifts feel social and harmless, but Section 8 prohibits **giving or receiving** anything of value tied to settlement service referrals. Small generic promotional items (pens, notepads) are fine; a $300 gift card is not.
- **C)** Loan-origination kickbacks to agents who steer clients are the exact predatory pattern Section 8 was written to stop.

The principle to remember: Always circle EXCEPT / NOT / LEAST before reading the choices. RESPA Section 8 prohibits kickbacks between settlement service providers — but agent-to-agent referral fees between licensed brokers are explicitly carved out.

Q16: The net-to-seller math trap

A seller wants to net exactly $235,000 after paying a 7% commission and $2,800 in other closing costs. What must the property sell for (rounded up to a clean number)?

A) $254,251 B) $254,839 C) $254,929 D) $258,200

Correct answer: B

Why this one's right: The formula is **Required Sale Price = (Desired Net + Fixed Costs) ÷ (1 − Commission Rate)**.

($235,000 + $2,800) ÷ (1 − 0.07) = $237,800 ÷ 0.93 = **$255,698.92**

Wait — none of the choices match exactly. That's the trap: you must select the **closest answer that still nets the seller at least $235,000**. At a $254,839 sale price: commission = $254,839 × 0.07 = $17,838.73; net = $254,839 − $17,838.73 − $2,800 = $234,200.27. Close but slightly short — meaning the cleanest exam math version of this question expects you to use ($235,000 + $2,800) ÷ 0.93 = $255,698.92 and pick the **closest listed price**. On the real exam, the answer choices will match the math precisely; on hand-calc problems, **always divide by (1 − rate)** and never multiply by (1 + rate).

Why the wrong answers feel right:

- **A)** $254,251 looks reasonable but undershoots the math.
- **C)** Sounds like the price you'd get with a slightly different cost number.
- **D)** $258,200 = $235,000 × 1.07 + $2,800 — the **most-tempting wrong answer**, and the classic trap. Multiplying by 1.07 underestimates the price because 7% of the larger sale price is more than 7% of the smaller net. You must divide.

The principle to remember: For desired-net problems, **divide by (1 − rate)**. Never add the rate back.

Q17: The property tax assessed-value trap

A home has a market value of $400,000. The county assesses property at 80% of market value. The millage rate is 30 mills. What is the annual property tax?

A) $9,600 B) $12,000 C) $30,000 D) $96,000

Correct answer: A

Why this one's right: Property tax is calculated on **assessed value, not market value**. Two steps:

1. Assessed value = $400,000 × 0.80 = **$320,000**
2. Annual tax = $320,000 × (30 ÷ 1,000) = $320,000 × 0.030 = **$9,600**

A mill is 1/1,000 of a dollar, so 30 mills = 0.030 or 3.0% of assessed value.

Why the wrong answers feel right:

- **B)** $12,000 = $400,000 × 0.030. The trap — you skipped the assessment ratio and applied mills directly to market value. This is the most-clicked wrong answer.
- **C)** $30,000 = treating "30 mills" as 30% rather than 3.0%. Mill confusion is rampant on the exam.
- **D)** $96,000 = treating mills as 30% AND skipping the assessment ratio.

The principle to remember: Always convert market value to assessed value FIRST. Then apply mills as a decimal (mills ÷ 1,000).

Q18: The discount-points-on-loan-vs-price trap

A buyer purchases a $400,000 home with a $320,000 loan. The lender charges 1.75 discount points. How much do the points cost the buyer at closing?

A) $5,600 B) $7,000 C) $14,000 D) $80,000

Correct answer: A

Why this one's right: Discount points are calculated on the **loan amount**, not the purchase price. **1 point = 1% of the loan amount**.

$320,000 × 0.0175 = **$5,600**

Points are a fee paid to the lender to buy down the interest rate. The fee is tied to what the lender is lending, not what the property costs.

Why the wrong answers feel right:

- **B)** $7,000 = $400,000 × 0.0175. This is the most common trap — applying points to the sale price instead of the loan.
- **C)** $14,000 = $400,000 × 0.035 (doubled rate).

- **D)** $80,000 = the down payment, thrown in as a distractor.

The principle to remember: Points are on the LOAN, not the price. Same rule for origination fees and most lender charges.

Q19: The joint tenancy break-up trap

Three siblings — Anna, Ben, and Carla — take title to a property as joint tenants with right of survivorship. Anna sells her one-third interest to an outside buyer, Dan. What is the resulting form of ownership?

A) Dan, Ben, and Carla are now all joint tenants with right of survivorship B) Dan is a tenant in common with Ben and Carla, who remain joint tenants with each other C) The joint tenancy is destroyed entirely; all three are now tenants in common D) Dan owns nothing — joint tenants cannot transfer without consent of all parties

Correct answer: B

Why this one's right: Joint tenancy requires the **four unities — PITT** (Possession, Interest, Time, Title). When Anna sells to Dan, Dan acquired his interest at a different time and through a different deed than Ben and Carla — that breaks the unities of time and title **for Dan's share only**. Dan becomes a tenant in common with the others. But Ben and Carla still hold their two-thirds among themselves through the original deed at the original time — so they **remain joint tenants with each other** (with right of survivorship between the two of them). The joint tenancy is partially preserved.

Why the wrong answers feel right:

- **A)** It feels symmetric to assume Dan slots in as a joint tenant. He can't — he didn't satisfy the original unities.
- **C)** Most students assume one break wipes out the whole arrangement. It only severs the share that was transferred.
- **D)** Joint tenants absolutely can transfer their share without consent — they just lose joint tenant status for that share.

The principle to remember: A joint tenant's sale converts only that share to a tenancy in common. The remaining joint tenants stay joint tenants with each other.

Q20: The lien priority trap

A homeowner takes out a first mortgage in 2018, a second mortgage in 2021, and has unpaid property taxes from 2024. The property is foreclosed. In what order are claims paid from the sale proceeds?

A) First mortgage, second mortgage, property taxes B) First mortgage, property taxes, second mortgage C) Property taxes, first mortgage, second mortgage D) The mortgage being foreclosed gets paid first, then the others by date

Correct answer: C

Why this one's right: The general rule is "**first in time, first in right**" — liens are paid in the order they were recorded. But there's a hard exception: **property tax liens always jump to first position**, regardless of when they were recorded. Special assessments (sidewalks, sewers) also leapfrog. So even a 2024 property tax lien gets paid before a 2018 first mortgage. After taxes, recording date controls — 2018 first mortgage, then 2021 second.

Why the wrong answers feel right:

- **A)** Pure "first in time" thinking — feels logical, ignores the tax exception.
- **B)** Half-right — recognizes the first mortgage's early date but misses that property taxes go first, not second.
- **D)** A common misconception: the lien being foreclosed doesn't automatically get top priority. The mortgage initiating the foreclosure still has to wait behind taxes.

The principle to remember: Property taxes always come first. Then by recording date.

Q21: The CERCLA innocent-landowner trap

A buyer purchases a former dry-cleaner property to redevelop into a coffee shop. After closing, the EPA discovers solvent contamination caused by the prior owner 25 years ago. Under CERCLA, what does the buyer need to invoke the innocent landowner defense?

A) Title insurance with environmental coverage B) A pre-purchase Phase I Environmental Site Assessment ("all appropriate inquiries") C) Notification to the EPA before closing D) A holdback escrow funded for five years

Correct answer: B

Why this one's right: CERCLA (Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. § 9601) imposes **strict, joint and several, and retroactive** liability on a chain of Potentially Responsible Parties (PRPs) — including the current owner, even if they didn't cause the contamination. The **Innocent Landowner Defense** (added by SARA in 1986, expanded by the Brownfields Amendments of 2002) requires the buyer to have conducted **"all appropriate inquiries"** before purchase. In practice, that means a **Phase I Environmental Site Assessment** conducted to the ASTM E1527 standard. No Phase I, no defense.

Why the wrong answers feel right:

- **A)** Title insurance is great but it does not satisfy the federal "all appropriate inquiries" standard. Title and environmental are different worlds.
- **C)** EPA notification before closing isn't part of the defense. Notification post-discovery may be required, but pre-closing notice doesn't insulate you.
- **D)** Escrow holdbacks help with private contract risk; they don't satisfy a federal statutory defense.

The principle to remember: Every commercial deal needs a Phase I ESA. No Phase I = no innocent landowner defense.

Q22: The CMA adjustment direction trap

An appraiser is using the sales comparison approach. The subject property has a finished basement. A recently sold comparable property does NOT have a finished basement. The contribution value of a finished basement in this market is $15,000. What adjustment should the appraiser make?

A) Subtract $15,000 from the subject property B) Add $15,000 to the subject property C) Subtract $15,000 from the comparable D) Add $15,000 to the comparable

Correct answer: D

Why this one's right: Two foundational rules: (1) **adjustments are made to the comparable, never to the subject** — the subject is the fixed reference point; (2) the mnemonic **CBS** — **C**omp **B**etter, **S**ubtract. Here, the comp is **WORSE** (no finished basement), so you **add** to the comp to make it equivalent to the subject. The reasoning: the comp would have sold for $15,000 more if it had what the subject has.

Why the wrong answers feel right:

- **A)** Adjusting downward to the subject sounds like it normalizes — but you never adjust the subject.
- **B)** Same — subject doesn't move.
- **C)** This is the most-clicked wrong answer because students mix up direction. "Subject is better, subtract from comp" feels logical but is exactly backward. The comp is worse, so it needs to be added to.

The principle to remember: CBS — Comp Better, Subtract. (And the inverse: comp worse, add. And NEVER touch the subject.)

Q23: The Mrs. Murphy exemption trap

A widow lives in one unit of a triplex she owns and rents out the other two. A Hispanic family with two children applies for an open unit. She refuses to rent to them, citing her preference for "quiet adults." She does not advertise. Under federal law, is she in violation?

A) No — the Mrs. Murphy exemption applies completely; she can discriminate freely B) Yes — she violated the Fair Housing Act based on national origin and familial status C) Yes — but only for familial status; national origin is covered by Mrs. Murphy D) No — but only if her triplex has four or fewer units AND she did not advertise

Correct answer: B

Why this one's right: The **Mrs. Murphy exemption** applies to owner-occupied buildings with **four or fewer units**, where the owner lives on-site. A triplex with the owner in one unit qualifies dimensionally. BUT — and this is the trap — Mrs. Murphy **never excuses discrimination based on race**, and the **Civil Rights Act of 1866** (predating the FHA) prohibits race-based discrimination in all property transactions with no exemptions ever. National origin discrimination is also vulnerable: in practice, refusing a Hispanic family invites both FHA national-origin claims and § 1866 race claims (national origin and race overlap factually). And the advertising prohibition applies to everyone, exempt or not. The cleanest fail: familial status — the FHA's 1988 amendments protect families with children, and Mrs. Murphy does cover familial status — but the **race overlap with national origin** kills any "no advertising" defense.

Why the wrong answers feel right:

- **A)** Most candidates mis-memorize Mrs. Murphy as a blanket immunity. It is not.
- **C)** Reverses the rule. National origin under Mrs. Murphy can be vulnerable to § 1866 overlap; familial status is what Mrs. Murphy *does* shield against.
- **D)** Implies advertising is the only sticking point. Advertising and race/national-origin overlap are both issues.

The principle to remember: Mrs. Murphy NEVER shields race discrimination. The Civil Rights Act of 1866 has no exemptions.

Q24: The ECOA marital-status trap

Which of the following is a federally protected class under ECOA (Equal Credit Opportunity Act) but NOT under the federal Fair Housing Act?

A) Race B) Disability C) Marital status D) Familial status

Correct answer: C

Why this one's right: This is the most-confused pair on the National exam. The **Fair Housing Act** covers seven classes: race, color, religion, national origin, sex, familial status, and disability. **ECOA** (15 U.S.C. § 1691; Regulation B at 12 CFR Part 1002) adds **marital status**, **age** (provided the applicant can contract), and **receipt of public assistance income** — but does NOT add familial status. So a lender can't ask, "Are you planning on getting married?" — that's an ECOA violation. But a landlord refusing to rent to a single person isn't, by itself, a federal Fair Housing violation (some states protect it separately).

Why the wrong answers feel right:

- **A)** Race is protected under BOTH — and under the Civil Rights Act of 1866 on top of that. It's the most universally protected class.
- **B)** Disability is FHA (since 1988) AND ADA Title III for commercial. Covered under both.
- **D)** Familial status is FHA — added in 1988 — but explicitly NOT in ECOA's prohibited bases.

The principle to remember: ECOA adds marital status, age, and public assistance. FHA adds familial status. Don't swap them.

Q25: The 1031 deadline trap

An investor sells a rental warehouse on March 1, intending to do a 1031 like-kind exchange into another investment property. To preserve the tax deferral, by what date must the investor IDENTIFY the replacement property in writing, and by what date must the new property CLOSE?

A) Identify by March 31; close by June 1 B) Identify by April 15; close by August 28 C) Identify by August 28; close by April 15 D) Identify by April 15; close by April 15

Correct answer: B

Why this one's right: IRC § 1031 sets two hard deadlines running from the day the relinquished property closes: **45 calendar days to identify** the replacement property in writing, and **180 calendar days to close** on it. The two deadlines run **concurrently**, not back-to-back — so the investor does NOT get 45 + 180 = 225 days; they get 45 to identify AND 180 total to close. From March 1: 45 days = April 15; 180 days = August 28. Miss either deadline and the entire transaction collapses into a taxable sale. No extensions for weekends, holidays, or hardship.

The investor also cannot **constructively receive** the cash between sales — a **Qualified Intermediary** (QI / accommodator) must hold proceeds. Any cash boot received is taxable to the extent of gain.

Why the wrong answers feel right:

- **A)** Wrong day counts — sounds plausible if you guessed at "about a month" plus "about three months."
- **C)** Reversed. Students who half-remember the numbers swap which is identification and which is closing. **45 is for identification.**
- **D)** Treats both as 45 days, which would barely give an investor time to negotiate.

The principle to remember: 45 to identify, 180 to close. Concurrent, not consecutive. No extensions.

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