

Chapter 01 Introduction and Sources of Real Estate Law

TRUEFALSE

1. State statutes are the only reliable source of real estate law.

(A) True

(B) False

Answer : (B)

2. Ordinances are generally enacted by state legislatures.

(A) True

(B) False

Answer : (B)

3. The Code of Federal Regulations is passed by Congress.

(A) True

(B) False

Answer : (B)

4. Both the state and U.S. constitutions have provisions relating to real estate.

(A) True

(B) False

Answer : (A)

5. The Consumer Financial Protection Bureau is an example of a federal agency charged with enforcing a federal legislative enactment.

(A) True

(B) False

Answer : (A)

6. The Real Estate Settlement Procedures Act is part of the United States Code.

(A) True

(B) False

Answer : (A)

7. All federal regulations have a statutory basis in the United States Code.

(A) True

(B) False

Answer : (A)

8. The common law of the United States originated in England.

(A) True

(B) False

Answer : (A)

9. Judicial decisions make up part of the common law.

(A) True

(B) False

Answer : (A)

10. Judicial interpretations of statutes are as much the law as the statutes themselves.

(A) True

(B) False

Answer : (A)

11. Legislative intent is an important factor used by courts in statutory interpretation.

(A) True

(B) False

Answer : (A)

12. Private laws need not comply with constitutional protections.

(A) True

(B) False

Answer : (B)

13. Contracts are an example of private law.

(A) True

(B) False

Answer : (A)

14. The rights of property owners in eminent domain proceedings are covered in the U.S. Constitution.

(A) True

(B) False

Answer : (A)

15. The Fourth Amendment provides privacy protections for property owners.

(A) True

(B) False

Answer : (A)

16. Real estate licensing laws are found at the federal level.

(A) True

(B) False

Answer : (B)

17. State laws on real estate cannot violate the U.S. Constitution.

(A) True

(B) False

Answer : (A)

18. The Internal Revenue Code is part of the Code of Federal Regulations.

(A) True

(B) False

Answer : (B)

19. Landlord/tenant statutes are part of state statutes.

(A) True

(B) False

Answer : (A)

20. The Internal Revenue Code is a federal statute.

(A) True

(B) False

Answer : (A)

21. Uniform laws such as the Uniform Partnership Act are part of state legislative codes.

(A) True

(B) False

Answer : (A)

22. Case precedent is reviewed even when case facts are not identical.

(A) True

(B) False

Answer : (A)

23. Cases involving the same statute are always decided the same way.

(A) True

(B) False

Answer : (B)

24. States do not have their own administrative regulations.

(A) True

(B) False

Answer : (B)

25. The Equal Protection Clause of the Fourteenth Amendment of the U.S. Constitution requires the federal government to apply laws equally to all citizens so they all have the same opportunities for land ownership.

(A) True

(B) False

Answer : (B)

26. The Fifth Amendment of the U.S. Constitution affords landowners protection in eminent domain proceedings from the federal government.

(A) True

(B) False

Answer : (A)

27. States need not follow the Fifth Amendment in their eminent domain proceedings against property owners.

(A) True

(B) False

Answer : (B)

28. Legislators enact the rules and regulations agencies use.

(A) True

(B) False

Answer : (B)

29. An example of private law would be broker licensing provisions.

(A) True

(B) False

Answer : (B)

30. State constitutions cannot include provisions other than those that govern the structure of state government.

(A) True

(B) False

Answer : (B)

31. The laws on mechanic's liens are an example of federal law.

(A) True

(B) False

Answer : (B)

32. State constitutions do not affect the sale and use of real property.

(A) True

(B) False

Answer : (B)

33. Precedent from one federal district or circuit cannot be used in any other federal district or circuit.

(A) True

(B) False

Answer : (A)

34. The rights in the U.S. Constitution are superseded by any state laws that are different.

(A) True

(B) False

Answer : (B)

35. The American Recovery and Reinvestment Act is part of the U.S. Constitution.

(A) True

(B) False

Answer : (B)

36. The Bureau of Consumer Financial Protection is the new federal agency for consumer rights that is located within the Federal Reserve.

(A) True

(B) False

Answer : (A)

37. The specifics of zoning laws are generally found in state statutes.

(A) True

(B) False

Answer : (B)

38. Eminent domain does not require due process.

(A) True

(B) False

Answer : (B)

39. The licensing of real estate agents is an example of an area of federal regulation.

(A) True

(B) False

Answer : (B)

40. The Mortgage Reform and Anti-Predatory Lending Act is an example of a federal statute affecting real estate transactions.

(A) True

(B) False

Answer : (A)

41. The issue of consent for mechanic's liens is defined entirely by statute.

(A) True

(B) False

Answer : (B)

MULTICHOICE

42. In which of the following sources of law would the federal Truth-in-Lending controls be found?

- (A) U.S. Constitution
- (B) State statutes
- (C) Federal regulations
- (D) State constitutions

Answer : (C)

43. Which of the following sources of law would contain provisions on broker licensing?

- (A) U.S. Constitution
- (B) State statutes
- (C) Federal regulations
- (D) Municipal ordinances

Answer : (B)

44. Which of the following would not be found in the United States Code?

- (A) Laws regulating securities
- (B) Laws regulating the licensing of real estate brokers
- (C) Laws regulating the sale of undeveloped property
- (D) Laws regulating zoning

Answer : (B)

45. Which of the following would not be found in state statutes?

- (A) Laws regulating the licensing of real estate brokers
- (B) Laws regulating the requirements for valid real estate contracts
- (C) ILSFDA
- (D) Laws governing partnership creation

Answer : (C)

46. The Smiths have recently discovered that there is a mechanic's lien on their property. Mrs. Smith wants to know where to turn to find the law on mechanic's liens. Which of the following sources is correct?

- (A) State constitution
- (B) State legislative enactments
- (C) Federal regulations
- (D) U.S. Constitution

Answer : (B)

47. The term *stare decisis*:

- (A) Means let the decision stand.
- (B) Is a term that refers to the recognition of case precedent.
- (C) Is not used in statutory interpretation questions.
- (D) Both a and b

Answer : (D)

48. Alice DeMinimis recently purchased a small two-bedroom home. She will be paying \$85,000 for the home by paying \$5,000 down and obtaining a loan for the remaining \$80,000. Alice wants to know the difference between her rights if she has a mortgage versus a deed of trust. Which of the following sources of law will contain the information she needs?

- (A) State constitution
- (B) State legislative enactments
- (C) Federal regulations
- (D) U.S. Constitution
- (E) None of the above

Answer : (B)

49. Which of the following issues does the Fourth Amendment to the U.S. Constitution address?

- (A) Search and seizure
- (B) Due process
- (C) Just compensation

(D) Equal protection

Answer : (A)

50. 18 U.S.C. Section 1201 is an example of a:

(A) Federal administrative regulation.

(B) Federal legislative enactment.

(C) State statute.

(D) Provision of the U.S. Constitution.

Answer : (B)

51. Court decisions:

(A) Interpret statutes.

(B) Cannot undermine the effects of statutes.

(C) Can be part of the common law.

(D) Both a and c

Answer : (D)

52. 12 C.F.R. § 226 is an example of:

(A) Federal administrative regulation.

(B) Federal legislative enactment.

(C) State regulation.

(D) None of the above

Answer : (A)

53. Zoning ordinances are generally part of:

(A) State constitutions.

(B) Code of Federal Regulations.

(C) City ordinances.

(D) State statutes.

Answer : (C)

54. In interpreting a statute, a court will consider:

- (A) The legislative intent.
- (B) The words chosen.
- (C) The factual circumstances.
- (D) The vote margin for passage.
- (E) a, b and c

Answer : (E)

55. Which of the following is not part of the United States Code?

- (A) Real Estate Settlement Procedures Act
- (B) Internal Revenue Code
- (C) Interstate Land Sales Full Disclosure Act
- (D) Uniform Partnership Act

Answer : (D)

56. The Code of Federal Regulations:

- (A) Is passed by Congress.
- (B) Provides interpretations of the U.S. Constitution.
- (C) Contains state regulations as well as federal regulations.
- (D) None of the above

Answer : (D)

57. The Haskell Family has operated a dry cleaning business for 40 years. They have dumped solvents on their property during that time. As the family prepares to sell the business, concerns about the dumping have arisen. Which of the following sources of law would provide information about their liability?

- (A) U.S. Constitution
- (B) State constitution
- (C) United States Code
- (D) None of the above

Answer : (C)

58. Bob Jones recently signed a lease for a studio apartment located in Manhattan. His studio is located on the top floor of a five-story brownstone converted into individual apartments and studios. A skylight in his loft has a crack between the plexiglass cover and the roof. Bob has moved his belongings away from the area beneath the skylight because rain and snow leak into the apartment. Because the heating system cannot compensate for the draft from the crack, the nighttime temperature in Bob's apartment is usually 10 degrees above the outside temperature. This January, the nighttime temperature in Bob's apartment has been, on average, 42 degrees. In New York, Bob:

- (A) Has no rights or remedy because he should have inspected the property before leasing.
- (B) Can claim breach of the implied warranty of habitability.
- (C) Can resort only to federal law for help.
- (D) Should see if there is a constitutional provision to help him on contract rights.

Answer : (B)

59. If you were forming a partnership with a fellow real estate broker to develop a tract of land, to which source of law would you turn for the law on forming a partnership?

- (A) Local ordinances
- (B) Code of Federal Regulations
- (C) State laws
- (D) State constitution

Answer : (C)

60. With reference to #18, where would you find laws and regulations on selling limited partnership interests to investors?

- (A) Federal securities laws
- (B) State laws on limited partnerships
- (C) Securities Exchange Commission regulations
- (D) a and c only
- (E) a, b and c

Answer : (E)

61. With reference to #18, where would you find laws on the use restrictions on a tract of land you wish to develop?

- (A) Local zoning ordinances

- (B) Private law in the deed restrictions
- (C) There are generally no restrictions on undeveloped land
- (D) Both a and b

Answer : (D)

62. Rachel has just been fined by her homeowner's association (HOA) for parking her car in front of her house. HOA rules require cars to be in the garage or driveway. Rachel wants to know her best defense.

- (A) The rules are unconstitutional.
- (B) The rules must be a state law before fines can be imposed.
- (C) A court case has held such rules to be unenforceable.
- (D) None of the above

Answer : (C)

63. With reference to #21, the HOA rules are:

- (A) An example of private law.
- (B) An example of agency regulations.
- (C) Unconstitutional.
- (D) None of the above

Answer : (A)

64. Janice Mack has just been told by Soledad, her solar energy company, that she must obtain approval of her homeowner's association's Architectural Control Committee (ACC) before Soledad will install her solar roof panels and system. Janice insists that the ACC has no power over use of her land. What sources of law would govern her rights?

- (A) Private law
- (B) Janice is correct; her ownership rights trump any laws
- (C) Judicial decisions
- (D) Both a and c
- (E) Both b and c

Answer : (D)

65. With reference to #23, the Soledad owner tells Janice that if he installs the panels and system without ACC approval, he can be fined by the Registrar of Contractors for the state. What level of law would the Registrar fit into?

- (A) Federal law
- (B) Private law
- (C) State administrative law
- (D) None of the above

Answer : (C)

66. The GOOMBYs (Get Out of My Back Yard) in Rio Linda have brought suit to have a power plant removed from an area located just behind their back yards. The owners of the plant want to know what right they have? Where would they look to determine their rights?

- (A) Eminent domain protections in the federal constitution
- (B) Eminent domain protections in their state constitution
- (C) Case law on constitutional issues
- (D) All of the above
- (E) None of the above

Answer : (D)

67. Kent Jones operates a dry-cleaning business. He has been served with a notice from the Environmental Protection Agency (EPA) that he is in violation of 18 U.S.C. §1808. Kent is unsure what he has done and wants to know where he might find information on the law the EPA says he has violated. Where would you advise Kent to look?

- (A) Because he is a small business, he should look at his local ordinances and will find the statute there
- (B) Because the EPA is a federal agency, he should look at federal administrative regulations
- (C) Because the EPA is a federal agency, he should turn to the U.S. Constitution
- (D) None of the above

Answer : (D)

68. Think about a landlord/tenant relationship and find which of the following sources of law would NOT apply.

- (A) Private law

- (B) The Interstate Land Sales Full Disclosure Act
- (C) Uniform Residential Landlord Tenant Act
- (D) Fair Housing Act

Answer : (B)

69. Xenon Corporation had a contract to purchase a parcel of land for its new production facilities. Xenon made a \$50,000 down payment on the contract. Xenon just learned that the property has restrictions on its use for industrial production. Where could Xenon check to determine what the law is on the use of the property?

- (A) Local ordinances
- (B) Federal law
- (C) The state constitution
- (D) The Uniform Commercial Code

Answer : (A)

70. When there are new issues, ambiguities, or omissions in statutory language:

- (A) The statutes are unconstitutional.
- (B) Court decisions are used to clarify.
- (C) Ballot propositions are required to clarify.
- (D) Equity courts must offer clarification.

Answer : (B)

71. Which is an example of private law?

- (A) Securities laws
- (B) The U.S. Constitution's provisions on privacy
- (C) Zoning laws
- (D) Landlord's rules for what you can have on the balcony of your apartment

Answer : (D)

72. What is the source of common law?

- (A) Federal legislative enactments

- (B) The uniform laws that states have passed individually
- (C) The U.S. Constitution because it applies to all states in common
- (D) None of the above

Answer : (D)

73. Jane Goodall is moving from New York to Vermont. Jane is a licensed real estate agent in New York and wants to know the requirements for becoming a licensed agent in Vermont. Where will Jane be able to find the Vermont requirements?

- (A) In the United States Code
- (B) In the Code of Federal Regulations
- (C) What is required will depend on which real estate firm Jane works for, so she needs to look at their private rules
- (D) Vermont state statutes

Answer : (D)

74. Sally Swanson has opened a small bistro in Sedona, Arizona. The parking lot for her restaurant is located right next to Oak Creek, a creek that often floods during the summer rains. The result is that Sally loses one row of parking once the flooding occurs, and the spaces are not available until the creek levels subside. Sedona is going to build a structure along all Oak Creek adjoining properties to prevent the flooding. The result will be that Sally will lose 3 to 4 of her parking spaces. Sally wants to know where her rights can be found to challenge.

- (A) Sally loses the spaces anyway, so Sedona is not doing anything that affects Sally's rights.
- (B) Sally has protections under the Fifth Amendment of the U.S. Constitution.
- (C) Eminent domain is an absolute government right.
- (D) City ordinances will determine whether the city is taking Sally's property through its project.

Answer : (B)

75. If you owned rental property and wanted to avoid liens for your property from contractors hired by tenants, what would you do?

- (A) Put a requirement in the lease that your tenant notify you before contracting for improvements
- (B) Inspect the property occasionally to determine if contractors are working there
- (C) Check federal law for notification requirements
- (D) Both a and b

Answer : (D)

76. Jane is buying a home and intends to operate her business out of her home. Jane's real estate agent has advised her to check the zoning laws as well as the rules of the homeowner's association. Where would Jane find the zoning laws?

- (A) In the United States Code
- (B) In the laws for her state
- (C) In the county and city laws
- (D) There are no laws available; Jane would have to research case law to find them

Answer : (C)

77. With reference to #35, the rules of the homeowner's association would be an example of:

- (A) Federal law.
- (B) Federal regulations.
- (C) State statutes.
- (D) Private law.

Answer : (D)

ESSAY

78. The following statute has been passed in one of the fifty states: Anyone openly and notoriously cohabitating in any premises with a person of the opposite sex other than his or her spouse shall be subject to conviction and punishment under the classification of Misdemeanor 1.

To whom does this statute apply? Discuss each of the following categories of people in light of the statute's probable intent.

- a. Families with male and female children
- b. A brother and sister sharing an apartment while attending college
- c. A niece residing temporarily with an uncle
- d. A woman living with her male companion

Graders Info :

The intent of the statute was to govern those living together as couples without being married. Hence, a-c would not be covered by the statute but d would be.

79. Trevor Hammell wishes to form a real estate syndication for the purpose of buying and developing a parcel of land located near the announced location of a multi-regional shopping mall.

Trevor has in mind that he will sell limited partnership interests in the firm to people in Arizona (where the mall is located) and in several other nearby states. Trevor is curious about the nature and types of laws that will affect his proposed project. Provide him with a list of relevant laws.

Graders Info :

First, Federal Securities laws. Second, the Uniform Limited Partnership Act. Third, zoning, etc. laws for the development of the land. He will need to know about construction bids, liens and financing - state laws. He will also need private laws - a good limited partnership agreement.

80. A state has just passed a statute that eliminates the hearing required before a mortgage foreclosure sale. Are there any problems with such a statute?

Graders Info :

The statute violates the constitutional protections of due process. A state law cannot take away the constitutionally given rights.

81. You own a small shopping center and one of the tenants is having some work done on the roof of his store. Explain what you should be concerned about as the owner.

Graders Info :

Relying on the two consent cases in the chapter, the students should explain that the owner needs to clarify his relationship with both the tenant and the contractor. If the owner does not consent and gives them notice that he does not consent, he cannot be held liable for the expense of the roof repair and his property cannot be liened. If, however, he does nothing and lets the repairs be made, there are issues that can arise in terms of his implied acquiescence and allowing the work to continue.

82. Give three examples of private law.

Graders Info :

Landlord/tenant regulations; contracts; covenants and restrictions on land use; easements; partnership agreements; leases.

83. Describe the relationship between the Code of Federal Regulations and the United States Code.

Graders Info :

The United States Code consists of the legislative enactments passed by Congress and these statutes establish administrative agencies to handle compliance and enforcement. The agencies then

promulgate their enforcement rules and those rules are part of the Code of Federal Regulations. The Code of Federal Regulations will also contain the forms and requirements for various filings required under the statutes.

84. Kay Winans purchased a home in a subdivision being developed by Trammer Homes. When the subdivision was half-constructed, Trammer Homes pulled out of the project and sold the remaining land to a townhome developer. Kay feels only single-family homes should be built in her subdivision. What sources of law would help Kay resolve her questions?

Graders Info :

Kay should examine private law including her sales contract and her deed and deed restrictions. She should also look to zoning ordinances to see if there are restrictions on the type of residence in her area. Case law on deed restrictions and developments might also be helpful. There may be some state statutes that would provide protection as well.

85. Alice Barker's home on two acres of land is located in an area where the state has proposed construction of a freeway off-ramp. The state has offered Alice \$200,000 for her property. Alice believes the market value is \$375,000. Alice has the following questions she would like you to answer.

- Can the state take her land?
- Does she have a way to present what she believes the value to be?
- Where can she find the law applicable to this proposed action by the state?

Graders Info :

- Alice is having her land taken by eminent domain. The state can do so under the Fifth Amendment for a public purpose and a freeway off ramp is very clearly a public purpose.
- Alice still has due process rights under the Fifth Amendment - the right to present her side on the land's value.
- Alice has her constitutional protections. Also, there are state laws and regulations that will govern the process of eminent domain.

86. Describe how the U.S. Constitution applies to real estate transactions. How does it relate to other sources of law?

Graders Info :

The U.S. Constitution is pervasive in real estate transactions in everything from eminent domain to fair housing laws. The U.S. Constitution provides protections against discrimination and guarantees due process in eminent domain and foreclosure proceedings. The U.S. Constitution is controlling. Other laws cannot violate the rights given in there. Nor can other laws infringe on the powers exercised by Congress. For example, Congress can regulate interstate real estate activity. States regulate local activity such as licensing.

87. The Economic Development Corporation of Bramblewood has proposed giving tax breaks to the Bass Pro Shop in order to lure it, as it were, to Bramblewood for the construction of one of its largest stores. Bo Radley, a devoted fisherman, but low-tax advocate, objects to the tax break. Also, Bo notes, the area for the proposed facility has industrial, not commercial zoning. Provide a list of the areas of law Bo should check to determine authority and rights in this situation.

Graders Info :

Bo should check both state and local laws to determine the taxing authority municipalities have in his state. He can also check local laws and ordinances on economic development, tax structure, and zoning. Except for the authority of municipalities on taxation, Bo has primarily a local law set of questions.

88. Classify the following laws according to their sources: a. Internal Revenue Code
b. Judicial interpretation of rent statute
c. Interstate Land Sales Full Disclosure Act
d. Uniform Partnership Act
e. Broker licensing provisions

Graders Info :

a. Federal b. Court decisions
c. Federal
d. State
e. State - could be statute or regulation

89. The collapse of the subprime mortgage market in 2008 involved issues of foreclosure, securities sales, bankruptcy, and eminent domain as cities sought to clean up areas affected with blight by excessive numbers of foreclosure. List the sources of law you can see that would be applied in dealing with all of these issues.

Graders Info :

Foreclosure would require an understanding of state laws, including the provisions on contracts, real property rights, the foreclosure process, and even on interest rates. Securities sales would be governed by federal law found in the United States Code. There could also be some state securities laws if the mortgage debt instruments sold qualified for an exemption from federal securities laws. Bankruptcy is an exclusively federal issue - governed by the bankruptcy courts and provisions in the United States Code.

Eminent Domain is a constitutional issue, governed by the Fifth Amendment. There could also be some state constitutional protections. Also, there may be some new states laws on local governments taking property for purposes of economic development.

90. Columbia, South Carolina, is where Hootie and his blowfish got their start. In fact, they

practiced in the storage sheds at Sumter Street Self-Storage in Columbia. Known as "The Sheds," the units have been home to music practice for two decades. However, since the 1994 climb to fame of Hootie, the storage area has become the home to almost 139 weekend and evening jammers and rehearsal sessions, much to the chagrin of the neighbors. The neighbors began a campaign to shut down the music practice. Nuisance did not work because the bands had to stop playing at 10 p.m. The neighbors then turned to fire codes. That battle ended with the city concluding that the use of the sheds for practice violated city fire code. However, the ruling that the music stop was appealed and the music continued, with new fire extinguishers. Neighbors appealed and a court ruled that new wiring was required if the bands were to continue. The owner does not want to undertake the expense and a sign on the gate reads, "No band practice."
What laws govern this situation?

Graders Info :

Local zoning ordinances would apply. There would also be the local fire code that would be applicable. There may be some private law involved through covenants. Also, there is the private law of the leases for the commercial storage units. There would also be the common law doctrine of nuisance applicable to the situation because of the noise factors for the neighbors.

91. Make a list of what a landlord should do to prevent liens for contractor work.

Graders Info :

Put a provision in the lease that requires tenant to obtain permission to contract for improvements.
Require the tenant to notify upon start of work.
Require the tenant to give notice to contractors about permission requirement.
Periodically inspect the property to determine if there is contracting activities.