

## **Chapter 02**

### **Legal Foundations to Value**

#### **Multiple Choice Questions**

1. A principal definition of real estate is as a bundle of rights associated with the possession, use, and disposition of property. Each of the following is a fundamental characteristic of property rights EXCEPT:
  - A. they are enforceable by the government.
  - B. they apply only to tangible assets.
  - C. they are nonrevocable.
  - D. they are enduring.
  
2. Property rights can be divided into two classes, real and personal. Which of the following is an example of real property?
  - A. Vehicles
  - B. Stocks and bonds
  - C. Patents
  - D. Commercial building
  
3. A fixture is an object that formerly was personal property but has become real property. Of the following four rules for determining whether an object has become a fixture, which is the most dominant (i.e. if there is a conflict, which rule prevails)?
  - A. Manner of the attachment
  - B. Character of the article and manner of adaptation
  - C. Intention of the parties
  - D. Relation of the parties
  
4. Which of the following items would most likely be considered a fixture?
  - A. Custom bookshelves
  - B. Refrigerator in a single-family residence being sold
  - C. Fence installed by the tenant of a rental property
  - D. Antique chandelier

5. Property rights can be dismantled into lesser bundles, referred to as interests, which can then be held by different individuals. Interests in real property that include possessions are referred to as:

- A. fixtures
- B. townships
- C. licenses
- D. estates

6. Which of the following types of ownership estates is the most complete bundle of rights, and therefore carries the greatest value?

- A. Fee simple absolute
- B. Fee simple conditional
- C. Ordinary life estate
- D. Legal life estate

7. Suppose an older homeowner lives adjacent to an expanding university that is interested in acquiring her residence for future university use. To allow the homeowner to continue to retain all rights of exclusive possession, use, and enjoyment during her lifetime, yet provide the university with the right of disposition, the university may want to purchase a:

- A. life estate
- B. reverter interest
- C. remainder estate
- D. tenancy for years

8. While leasehold interests are considered estates, they differ from freehold estates in all of the following respects EXCEPT:

- A. leasehold estates are limited in time.
- B. the right of disposition is diminished with a leasehold estate.
- C. leasehold estates are not titled interests.
- D. leasehold estates are possessory interests.

9. Nonpossessory interests (i.e. bundles of real property rights that do not include possession) include all of the following EXCEPT:

- A. leasehold interests
- B. easements
- C. restrictive covenants
- D. liens

10. An easement is the right to use land for a specific and limited purpose. Which of the following easements involves a relationship between two parcels of land, is a permanent feature of both parcels involved, and gives the dominant parcel some intrusive use of the servient parcel?

- A. Affirmative easement appurtenant
- B. Negative easement appurtenant
- C. Easement in gross
- D. License

11. Which of the following is an example of a negative easement appurtenant?

- A. A driveway easement across one parcel to another.
- B. Rights-of-way for roads.
- C. A common drive easement where owners of adjoining lots must permit each other to use a driveway lying on their shared property line.
- D. A scenic easement used to restrict construction on adjacent parcels so as to preserve a valued view.

12. An important distinction both practically and conceptually is the difference between an easement and a license. In contrast to an easement, a license:

- A. is revocable by the grantor.
- B. can be granted orally.
- C. is enduring.
- D. grants permission to use another's land for a specific and limited purpose.

13. A lien is an interest in real property that serves as security for an obligation. Which of the following is an example of a general lien?

- A. Property tax and assessment lien
- B. Mortgage lien
- C. Lien arising from a court judgment unrelated to ownership of the property
- D. Mechanics' lien

14. Which of the following types of liens is automatically superior to any other lien?

- A. Property tax and assessment lien
- B. Mortgage lien
- C. Lien arising from a court judgment unrelated to ownership of the property
- D. Mechanics' lien

15. Co-ownership can occur in a variety of ways, with significant variation in how the bundle of rights is jointly held. All of the following entities are forms of direct co-ownership EXCEPT:

- A. Tenancy in common
- B. Tenancy by the entirety
- C. Condominium
- D. Partnership

16. Direct co-ownership implies that each co-owner holds a titled interest in the property, but without exclusive possession with respect to the other co-owners. Which of the following types of direct co-ownership is considered the closest to the fee simple absolute estate?

- A. Tenancy in common
- B. Tenancy by the entirety
- C. Condominium
- D. Partnership

17. Which of the following types of direct co-ownership is a form of joint tenancy for husband and wife?

- A. Tenancy in common
- B. Tenancy by the entirety
- C. Condominium
- D. Partnership

18. Which of the following types of direct co-ownership combines single person ownership with tenancy in common?

- A. Cooperative
- B. Tenancy by the entirety
- C. Condominium
- D. Partnership

19. Which of the following forms of co-ownership, historically used for apartment buildings, is not considered a form of true direct co-ownership, but rather qualifies as a proprietary corporation?

- A. Cooperative
- B. Tenancy by the entirety
- C. Condominium
- D. Partnership

20. Property rights created from marriage have a clear implication for real estate transactions. Which of the following marital property rights gives a spouse a one-half claim on all property acquired "from the fruits of the marriage?"

- A. Dower
- B. Curtesy
- C. Elective share
- D. Community property

21. Restrictive covenants impose constraints on the use of the land, yet are limited in terms of their enforcement. All of the following are true regarding the enforcement of restrictive covenants EXCEPT:

- A. Courts have been reluctant to maintain restrictive covenants for an unreasonably long time and in some cases states have enacted a time limit on their applicability.
- B. Courts may refuse to enforce restrictive covenants due to changing neighborhood character.
- C. Courts may refuse to enforce restrictive covenants due to abandonment of the property.
- D. Restrictive covenants can be enforced by those who do not hold a legal interest in the property.

22. When multiple individuals have use of a property, but their interests are not simultaneous, this type of co-ownership is referred to as a:

- A. Cooperative
- B. Tenancy by the entirety
- C. Condominium
- D. Timeshare

23. In some states, mining companies are deemed to own not only the minerals but also the space the minerals occupied before they were removed, thereby earning the distinction of ownership states. However, when the owner of an oil or gas well is able to claim all that is pumped from it, regardless of whether the oil or gas migrated from adjacent property, this is referred to as a \_\_\_\_\_ state.

- A. Manner of attachment
- B. Law of capture
- C. Intention of the parties
- D. Relation of the parties

24. Bill and Mike go in together to purchase 342 acres of land to use for hunting and family vacations. Ten years later, Bill dies and Bill's wife wants to sell his half of the land. Mike informs her that, unfortunately, she has no claim to the land and that upon Bill's death, his ownership interest transferred to Mike. What type of co-ownership did Bill and Mike have?

- A. Tenancy by the entireties
- B. Tenancy in common
- C. Joint tenancy
- D. Condominium

25. The City of Grand Rapids installed a new water main on Oak Street. The city then decided to charge the property owners along Oak Street a proportional cost of the new water main. If a property owner refuses to pay their proportional share of the cost, the city may file a(n):

- A. property tax lien.
- B. assessment lien.
- C. general lien.
- D. mechanics' lien.

26. Jeff owns 150 acres between a highway and a public beach. The state would like to build a road directly from the highway to the beach across Jeff's property. The space for this road would be considered a(n):

- A. easement appurtenant.
- B. easement in gross.
- C. negative easement appurtenant.
- D. positive easement appurtenant.

## Chapter 02 Legal Foundations to Value **Answer Key**

### Multiple Choice Questions

1. A principal definition of real estate is as a bundle of rights associated with the possession, use, and disposition of property. Each of the following is a fundamental characteristic of property rights EXCEPT:

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- B. they apply only to tangible assets.**
- C. they are nonrevocable.
- D. they are enduring.

*Difficulty: Basic*  
*Learning Objective: 1*

2. Property rights can be divided into two classes, real and personal. Which of the following is an example of real property?

- A. Vehicles
- B. Stocks and bonds
- C. Patents
- D.** Commercial building

*Difficulty: Basic*  
*Learning Objective: 1*

3. A fixture is an object that formerly was personal property but has become real property. Of the following four rules for determining whether an object has become a fixture, which is the most dominant (i.e. if there is a conflict, which rule prevails)?

- A. Manner of the attachment
- B. Character of the article and manner of adaptation
- C.** Intention of the parties
- D. Relation of the parties

*Difficulty: Intermediate*  
*Learning Objective: 1*

4. Which of the following items would most likely be considered a fixture?

- A.** Custom bookshelves
- B. Refrigerator in a single-family residence being sold
- C. Fence installed by the tenant of a rental property
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*Difficulty: Intermediate*  
*Learning Objective: 1*



5. Property rights can be dismantled into lesser bundles, referred to as interests, which can then be held by different individuals. Interests in real property that include possessions are referred to as:

- A. fixtures
- B. townships
- C. licenses
- D.** estates

*Difficulty: Basic*  
*Learning Objective: 2*

6. Which of the following types of ownership estates is the most complete bundle of rights, and therefore carries the greatest value?

- A.** Fee simple absolute
- B. Fee simple conditional
- C. Ordinary life estate
- D. Legal life estate

*Difficulty: Intermediate*  
*Learning Objective: 2*

7. Suppose an older homeowner lives adjacent to an expanding university that is interested in acquiring her residence for future university use. To allow the homeowner to continue to retain all rights of exclusive possession, use, and enjoyment during her lifetime, yet provide the university with the right of disposition, the university may want to purchase a:

- A. life estate
- B. reverter interest
- C.** remainder estate
- D. tenancy for years

*Difficulty: Advanced*  
*Learning Objective: 2*

8. While leasehold interests are considered estates, they differ from freehold estates in all of the following respects EXCEPT:

- A. leasehold estates are limited in time.
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- C. leasehold estates are not titled interests.
- D.** leasehold estates are possessory interests.

*Difficulty: Intermediate*

*Learning Objective: 2*

9. Nonpossessory interests (i.e. bundles of real property rights that do not include possession) include all of the following EXCEPT:

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- B. easements
- C. restrictive covenants
- D. liens

*Difficulty: Intermediate*

*Learning Objective: 3*

10. An easement is the right to use land for a specific and limited purpose. Which of the following easements involves a relationship between two parcels of land, is a permanent feature of both parcels involved, and gives the dominant parcel some intrusive use of the servient parcel?

- A.** Affirmative easement appurtenant
- B. Negative easement appurtenant
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*Difficulty: Basic*

*Learning Objective: 3*

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*Difficulty: Intermediate*  
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*Difficulty: Basic*  
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*Difficulty: Intermediate*  
*Learning Objective: 5*

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*Difficulty: Intermediate*

*Learning Objective: 5*

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*Difficulty: Basic*

*Learning Objective: 6*

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*Difficulty: Intermediate*

*Learning Objective: 6*

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*Difficulty: Basic*  
*Learning Objective: 6*

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*Difficulty: Basic*  
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*Difficulty: Basic*  
*Learning Objective: 7*

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*Difficulty: Advanced*  
*Learning Objective: 4*

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*Difficulty: Basic*  
*Learning Objective: 8*

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*Difficulty: Advanced*  
*Learning Objective: 1*

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*Learning Objective: 6*

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- C. general lien.
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*Difficulty: Advanced*  
*Learning Objective: 5*

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- C. negative easement appurtenant.
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*Difficulty: Advanced*  
*Learning Objective: 3*