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Question: 1179

A commercial developer in the Imperial Valley acquires farmland with embedded water rights under the Quantification Settlement Agreement (QSA) of 2024 updates, which reallocates Colorado River water to urban users. The developer plans to convert the land to solar farms but must navigate subsurface

Water Security Act's anti-speculation clause. What step must the developer take first to validate the water rights transfer for the new economic use?

- A. Obtain a change in point of diversion approval from the State Water Resources Control Board, demonstrating no injury to historical users
- B. Petition for eminent domain to consolidate subsurface rights into surface bundle for renewable energy priority
- C. Secure a federal overlay under the Colorado River Compact, bypassing state anti-speculation rules
- D. File for riparian re-adjudication in superior court to prioritize urban transfer over agricultural retention

Answer: A

Explanation: California's water rights system requires State Water Resources Control Board (SWRCB) approval for changes in use or place of use under Water Code Section 1700 et seq., especially for QSA-transferred rights post-2024 updates, which emphasize sustainability. In this scenario, converting agricultural riparian or appropriative rights to solar fallowing (groundwater recharge credits) constitutes a material change, necessitating proof of no unreasonable injury to existing users via technical reports on aquifer drawdown (e.g., using MODFLOW modeling) and economic impact assessments showing net

without beneficial use, so the developer must demonstrate solar as a valid non-consumptive purpose. Eminent domain is inapplicable for private transfers, re-adjudication is for disputes not changes, and federal compacts defer to state administration. This process, often taking 12-18 months, includes public hearings and may require mitigation like water banking contributions, underscoring the interplay of physical water characteristics and economic reallocation in arid regions.

Question: 1180

by non-institutional DAO (decentralized autonomous organization) tokens for wellness program funding. The center's legal team verifies DRE compliance. What unique risk do DAO non-institutional sources pose versus banks?

- A. Full FDIC coverage on all token-backed loans
- B. Prohibition on wellness-themed covenants
- C. Mandatory 10% reserve requirements like banks
- D. Blockchain volatility and lack of centralized regulatory recourse

Answer: D

Explanation: Non-institutional DAOs introduce blockchain price swings and decentralized governance, lacking the regulatory recourse of FDIC-insured banks for the retreat's mortgage, heightening default risks inapplicable, covenants allowed; this underscores tech risks in alternative funding.

Question: 1181

delegates maintenance to a vendor, but fails compliance leading to fines. Original tenant sues for indemnity. What discharges the original, and remedies the breach?

- A. Novation discharge; liquidated fines recovery
- B. Assignment persistence; rescission of delegation
- C. Delegation validity; specific performance by vendor
- D. Novation invalidity; compensatory for mandates

Answer: A

Explanation: Novation fully discharges the original tenant by substituting parties with consent under Civil Code Section 1532, extinguishing prior liabilities unlike partial assignment. Breach of EV mandates triggers from new tenant. This streamlines remedies, per DRE's commercial lease oversight, avoiding indemnity chains.

Question: 1182

A buyer is considering a leasehold property with a high annual rent increase clause. What is the primary risk associated with this type of lease?

- A. Increased financial burden over time
- B. Limited tenant rights
- C. Decreased property value
- D. Shorter lease term

Answer: A

Explanation: The primary risk associated with a leasehold property that has a high annual rent increase clause is the increased financial burden over time. As rents rise, the tenant may face challenges in affording the lease, which could lead to financial strain or the need to relocate.

Question: 1183

Grant deed omits after-acquired title clause, but grantor later inherits disputed mineral rights. Grantee, unaware, sells with warranty. Does after-acquired pass automatically?

- A. Only if recorded post-acquisition; otherwise, minerals escheat.
- B. No, absent clause; grantee's warranty breached to buyer.
- C. Yes, estoppel by deed implies warranty includes future interests.
- D. Grantee holds in trust for grantor, no automatic pass.

Answer: C

Explanation: Grant deeds warrant against prior conveyances (§ 1113), estopping grantor from denying title, passing after-acquired via estoppel (Civil Code § 1106 implied). Buyer protected similarly. No explicit clause needed; deed's grant binds.

Question: 1184

Real estate agent Taylor, representing first-time Buyer Jordan in a competitive bidding war for a multi-unit inspection contingency in Paragraph 12B to strengthen the offer against cash buyers, while retaining a 21-day loan contingency per the updated default. During the 10-day appraisal period, the property appraises at 5% below the \$1.2 million offer price due to undisclosed seismic retrofit needs in one unit, which Jordan's lender flags as a risk factor under AB 2579's extended inspection deadlines to January 1, 2026. Jordan, now facing a \$60,000 shortfall, requests Seller Riley release the \$24,000 deposit as liquidated damages under Paragraph 25B, arguing the waiver only applied to physical inspection, not appraisal-related structural risks. Seller Riley counters that the waiver implied acceptance of all due diligence risks, including seismic compliance, and demands enforcement of the full price via arbitration initialed in Paragraph 31B. Assuming no "time is of the essence" clause was added, what remedy is most enforceable for Seller Riley if Jordan fails to close?

- A. Arbitration award for full damages including lost opportunity costs, as AB 2579 integrates seismic disclosures into appraisal contingencies, making waiver binding.

seismic checklists prior to waiver acceptance.

- C. Liquidated damages limited to 3% of the purchase price (\$36,000), prorated from the deposit, enforceable via mutual release instructions under Paragraph 25B.
- D. Specific performance, as the RPA's Paragraph 25C allows sellers to pursue court-ordered completion for multi-unit properties exceeding four units.

Answer: C

contingency removal to liquidated damages not exceeding 3% of the purchase price for owner-occupied dwellings with four or fewer units, though multi-unit properties follow similar caps unless specified otherwise (Civil Code § 1675). Here, the property's multi-unit nature does not trigger the exemption in

Paragraph 25C, which applies only to commercial sales over four units without residential intent. Jordan's waiver of physical inspection in Paragraph 12B does not extend to appraisal contingencies under Paragraph 3J(3), which remain independent, allowing the low appraisal invocation without breach. However, if Jordan ultimately defaults without valid contingency removal, Seller Riley can enforce up to 3% (\$36,000) via the initialed mediation/arbitration path in Paragraphs 30-31, requiring mutual release or award for fund disbursement. AB 2579 extends balcony inspections but does not retroactively void waivers or integrate into appraisals; the seller's failure to provide checklists pre-waiver weakens their position but does not mandate deposit return. This cap promotes transaction certainty while protecting buyers from excessive penalties in multi-unit deals.

Question: 1185

agreement. Evan's broker Gus assumes duties without notice until January 5, 2026. Evan closes a Gus-sourced property January 20. Per agent death termination (Civil Code § 2356(a)), is Gus entitled to commission?

- A. Yes, as supervising broker, Gus inherits authority with Evan's implied consent
- B. Ratification by Evan's January 20 close, validating Gus's post-death actions
- C. No, Fiona's death ends brokerage agency, requiring new agreement for Gus
- D. Estoppel if Evan detrimentally relied on Gus's seamless continuation

Answer: B

Explanation: Agent's death terminates their personal agency (Civil Code § 2356(a)), but brokerage firm authority persists via supervision (Bus. & Prof. Code § 10159), though seamless assumption risks implication—Evan's close ratifies, entitling Gus. Prompt new agreements prevent gaps; this safeguards continuity in team structures while protecting principals from unauthorized extensions.

Question: 1186

A church, tax-exempt entity, contracts to buy parsonage for \$600,000, purpose clergy housing lawful under zoning. IRS audits post-close, questioning exemption use. Under legal purpose, contract status?

- A. Valid, tax status doesn't affect contract purpose lawfulness.
- B. Purpose illegal if taxes due.
- C. Zoning variance needed first.
- D. Void if audit revokes exemption.

Answer: A

Explanation: Legal purpose means not violative of statute/policy; tax-exempt housing is lawful (Rev. & Tax Code §214), and IRS issues are collateral, not voiding contracts. Audits challenge taxes, not title

validity; purpose remains compliant.

Question: 1187

A city has a specific plan that outlines land use for a particular area. How does this plan typically influence development proposals?

- A. It restricts all development in the area
- B. It serves as a guideline for evaluating development proposals
- C. It has no legal standing and is merely advisory
- D. It allows developers to bypass zoning laws

Answer: B

Explanation: A specific plan serves as a guideline for evaluating development proposals. It provides detailed policies and standards that developers must follow, ensuring that proposed projects align with the city's vision for that area.

Question: 1188

A buyer discovers that a seller has made misrepresentations about the condition of a property after the contract has been signed. What recourse does the buyer have?

- A. The buyer must proceed with the purchase.
- B. The buyer can rescind the contract based on misrepresentation.
- C. The buyer cannot take any action.
- D. The buyer can sue for specific performance.

Answer: B

Explanation: If the seller made misrepresentations about the property, the buyer can rescind the contract based on misrepresentation, as this affects the buyer's decision to enter into the contract.

Question: 1189

Seller Pete contests. Ends by?

- A. Destruction, purpose frustrated
- B. Mutual consent in invocation
- C. Estoppel from season reliance
- D. Expiration concurrent

Answer: A

Explanation: Destruction terminates by impossibility, per Civil Code Section 2355, invoking force majeure. Pete bound despite contest. Mutual absent, expiration separate, estoppel inapplicable. DRE's climate clauses support this.

Question: 1190

Which governmental sponsored enterprise is a private, for-profit corporation operating in the secondary mortgage market?

- A. Fannie Mae
- B. FHA
- C. Ginnie Mae
- D. VA

Answer: A

Explanation: Fannie Mae is a government-sponsored enterprise that operates as a private, for-profit corporation in the secondary mortgage market. Ginnie Mae is a government corporation.

Question: 1191

CC&Rs, but the owner claims exemption under new urban farming incentives. Bylaws lack amendment. The fine escalates to lien. What voids the lien?

- A. CEQA non-review of garden impacts
- B. Coastal access mandate
- C. General plan inconsistency with PUD map
- D.

Answer: D

accommodation for urban farming, voiding unamended fines.

Question: 1192

In a high-stakes transaction involving a luxury coastal property in Santa Barbara, Buyer Alex submits an purchase price with a 17-day loan contingency period and an explicit affirmation in Paragraph 3G(3) that a

valid buyer-broker compensation agreement exists, covering the property and providing for no less than 2.5% compensation offset by any seller contribution. Seller Jordan counters by striking the buyer affirmation language and inserting a clause requiring Buyer Alex to provide a redacted copy of the buyer-broker agreement's compensation section within 24 hours of counter acceptance, while extending the loan contingency to 21 days but shortening the appraisal contingency to 10 days. Buyer Alex accepts the counter without objection, but 48 hours later, Seller Jordan's agent discovers the provided redacted copy omits the exact compensation rate, leading to a demand for full disclosure under AB 2992 compliance. During escrow, the appraisal comes in at \$2.3 million, and Buyer Alex invokes the appraisal contingency to renegotiate, citing the shortened period as insufficient time to secure a second appraisal. What is the most likely outcome if Seller Jordan seeks to enforce the purchase price through mediation, assuming both parties initialed the mediation clause in Paragraph 30?

- A. Escrow cancels with return of deposit to Buyer Alex, as AB 2992 requires full buyer-broker agreement disclosure prior to offer submission, invalidating the counter acceptance.
- B. The transaction proceeds at \$2.3 million, as the RPA's Paragraph 3J(3) separates loan and appraisal contingencies, permitting renegotiation only if Buyer Alex removes the loan contingency first.
- C. Buyer Alex prevails, as the shortened appraisal contingency violates the RPA's default 17-day period without mutual agreement, allowing cancellation without penalty under Paragraph 3I.
- D. Seller Jordan prevails, as the counteroffer created a binding modification enforceable under Civil Code § 1698, and the redaction failure constitutes a material breach justifying specific performance.

Answer: C

and appraisal unless explicitly modified by mutual agreement in the counteroffer. Seller Jordan's counter shortened the appraisal contingency to 10 days, but Buyer Alex's acceptance without explicit confirmation of this change does not constitute mutual agreement under contract law principles in California, where modifications must be clear and consensual (Civil Code § 1698). Paragraph 3I of the RPA explicitly states that removal of contingencies must align with agreed timelines, and shortening without buyer consent allows invocation of the contingency for cancellation. The redaction issue, while potentially relevant under AB 2992's transparency goals, does not rise to a material breach sufficient to void the entire agreement, as the affirmation in Paragraph 3G(3) was already struck in the counter. In mediation per Paragraph 30, the neutral would likely rule in favor of Buyer Alex's right to cancel, returning the deposit, to uphold the RPA's protective intent for buyers in asymmetric information scenarios like appraisals in volatile luxury markets.

Question: 1193

A borrower is interested in a loan with an adjustable-rate feature. What should they be cautious about regarding the adjustment period?

- A. It eliminates the need for credit checks.
- B. It is fixed for the entire loan term.
- C. It requires a larger down payment.

D. It can lead to significantly higher payments.

Answer: D

Explanation: Borrowers should be cautious about the adjustment period of an adjustable-rate mortgage (ARM) because, after the initial fixed-rate phase, the interest rate can increase, leading to significantly higher monthly payments. This can create financial strain if not anticipated.

Question: 1194

A seller provides a buyer with a disclosure statement that includes inaccuracies about the property's condition. What legal principle applies if the buyer later discovers these inaccuracies?

- A. The seller can claim the parol evidence rule.
- B. The buyer can rescind the contract based on misrepresentation.
- C. The buyer must accept the property as-is.
- D. The buyer has no legal recourse.

Answer: B

Explanation: If the seller provides inaccurate information in the disclosure statement, the buyer can rescind the contract based on misrepresentation, as this affects the buyer's decision to proceed with the purchase.

Question: 1195

In appraising a neighborhood shopping center in Sacramento using the sales comparison approach, with comparables skewed by a recent Amazon distribution hub increasing traffic by 25%, the appraiser must adjust for location via hedonic pricing models. What step-by-step sequence in Stata software should be used after importing the sales data to quantify this hub's contributory value?

- A. clear; use comps; xtreg price sqft i.hub, fe; test hub; replace price = price / _b[hub] if hub==1
- B. do "adjust.do"; gen hub_adj = price * (1 + 0.25 * hub_dummy); bysort center: egen mean_adj = mean(hub_adj); list mean_adj
- C. use "center.dta", clear; reg price sqft traffic_hub visib_score; margins, at(traffic_hub=1); predict adj_price
- D. import delimited "comps.csv"; hedonics price sqft, inc(traffic); adjust for hub=1; tabstat adj_price

Answer: C

Explanation: Hedonic pricing in the sales comparison approach decomposes sale prices into component values, regressing on attributes like square footage and traffic hubs to derive marginal contributions. In Stata, after importing Sacramento data, the regression models price against variables including a hub dummy, then margins compute adjustments for hub presence (e.g., +\$200,000), predicting adjusted prices for comparables. This quantifies the 25% traffic boost's impact, ensuring location adjustments are

empirically supported. Aligned with DRE's analytical requirements and USPAP's market extraction methods, it refines indicated values for centers over 50,000 square feet, correcting skews from atypical sales and enhancing comparability in evolving logistics-driven markets.

Question: 1196

In a scenario where out-of-state resident Tomas, aged 19, wants to engage in real estate activities in California by referring leads to a local broker for a fee, he has not completed pre-licensing courses. Which licensing exemption under California law permits this activity without obtaining a full salesperson license?

- A. Minors over 18 are exempt from education but must affiliate with a broker for referral fees
- B. All lead generation activities require licensing unless the referrer is a licensed attorney in another state
- C. Referrals by unlicensed persons to licensed brokers are exempt if compensated only upon successful transaction
- D. Non-residents under 21 may refer leads interstate without licensing if no in-person activities occur

Answer: C

Explanation: Section 10130.5 exempts unlicensed individuals from licensing requirements for referring prospective clients to licensed brokers, provided compensation is solely a referral fee upon deal consummation and no other licensed acts are performed. This applies regardless of residency or age (as long as 18 for general eligibility), preventing unlicensed practice while allowing informal networking. Interstate referrals still fall under this if tied to California transactions; attorneys need full licensing for real estate acts; and minors require education like others.

Question: 1197

Landlord Hal's agency with Manager Isla ends by destruction of the Bakersfield warehouse in an earthquake on April 20, 2026, mid-lease negotiations. Isla completes a post-quake lease for undamaged portions on May 1. Per destruction rules, is the lease binding?

- A. Yes, if Hal ratifies the partial lease for salvageable areas
- B. Mutual consent with tenants overrides destruction for undamaged sections
- C. Estoppel binds Hal to tenants relying on Isla's continued management
- D. No, total destruction voids agency, invalidating all post-event leases

Answer: A

Explanation: Destruction terminates agency for the whole (Civil Code § 2351(2)), but partial allows ratification of acts on remaining viable portions (Civil Code § 2314), binding Hal upon approval for the May 1 lease. Partial events require segmented analysis; disclosures under § 1102.7 post-disaster are crucial, preventing overreach in catastrophe recoveries.

Question: 1198

A comparable's sale price was \$480,000 three months ago. The market has appreciated at about 2% per month since that sale. What is the adjusted price reflecting current market conditions?

- A. \$499,200
- B. \$489,600
- C. \$470,400
- D. \$509,760

Answer: D

Explanation: Apply 2% monthly appreciation compounded for three months: $\$480,000 \times (1.02)^3 = 509,760$.



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