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## MiniCram® Real Estate Exam Practice Questions Broker Qualifying Exam

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## **INTRODUCTION**

Dear Reader,

Congratulations on purchasing our **MiniCram®** for Ontario Real Estate License Exam preparation. The purpose of this book is to provide you with last minute review of important theory and math concepts for the exam. **MiniCram®** has compiled this booklet so that you can focus on key areas of study as well as prepare to overcome the most common mistakes that students make on the actual test day.

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### **We Want to Hear from You**

This book is written by a practicing Real Estate Broker who is also a trained adult trainer. If you have feedback for the author, need more information, or have general comments, please send an email to [minicram@outlook.com](mailto:minicram@outlook.com).

We hope you enjoy your review. Good luck for the exam!

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## 1. UNDERSTANDING REBBA AND CODE OF ETHICS

Take a blank sheet of paper to write your answers. The [Quick Answer Key](#) is located after the last question followed by [Detailed Answers](#).

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**BQ1.1.** Which of the following statements correctly describes the mandate of *Real Estate Council of Ontario (RECO)*?

- A. To protect public interest, trust, and confidence in real estate trading.
- B. To maintain the Multiple Listing Service®.
- C. To enforce the CREA® Code of Ethics.
- D. Development and delivery of registration courses.

**BQ1.2.** The *Real Estate Council of Ontario (RECO)* is a regulatory authority involved in the enforcement of the law related to the real estate trading. The activities of the Council usually include:

- A. Maintaining the local listing service for all real estate boards in Ontario.
- B. Protecting the MLS® and REALTOR® trademarks on behalf of CREA.
- C. Imposing the applicable sanctions against RECO registrants.
- D. Regulating the activities of local real estate boards.

**BQ1.3.** The Real Estate Council of Ontario (RECO):

- A. Is not responsible for providing real estate educational courses to become eligible for registration.
- B. Appoints standing committees for resolving real estate related disputes between consumers and registrants.
- C. Establishes the minimum ethical standards of business in its Code of Ethics for all real estate brokerages in Canada which are affiliated to organized real estate.
- D. Has the authority to conduct investigations and inspections of sellers' properties which are listed for sale.

**BQ1.4.** Which of the following statements is correct about the Real Estate Council of Ontario (RECO)?

- A. It is responsible for registrations, renewals, suspensions, and revoking registrations.
- B. It is responsible for regulating the Code of Ethics enacted by CREA.
- C. It consists of 12 directors, half of them elected from the real estate industry.
- D. The Registrar of RECO is responsible for taking action against those registrants who do not follow the MLS® rules and regulations.

**BQ1.5.** How does the *Real Estate Council of Ontario (RECO)* fulfill its mandate of protecting consumer confidence in real estate trading?

- A. By making the continuing educational mandatory for all new applicants.
- B. By making the RECO insurance mandatory for all brokerages.

- C. By having a complaints and inquiries process so that consumers may make a written complaint against any registrant.
- D. By enforcing the bylaws of real estate boards.

**BQ1.6.** Which of the following statements is correct regarding salesperson registration under REBBA, and the role of RECO and the organized real estate?

- A. It is possible to be registered under REBBA and not be a member of the local Real Estate Board.
- B. Registration with RECO permits the registrants to trade in real estate anywhere in Canada.
- C. The MLS® and the REALTOR® trademarks are owned, promoted, and protected by the Real Estate Council of Ontario.
- D. The CREA® Code of Ethics and Standards of Business Practice is a provincial statute mandatory for all registrants.

**BQ1.7.** Membership in organized real estate is not mandatory under REBBA. Which of the following statements is NOT correct in this regard?

- A. Organized real estate provides its own benefits, such as access to the local listing service.
- B. Membership in organized real estate entitles the registrants to get exemption from RECO insurance.
- C. REBBA educational requirements apply equally to members and non-members of organized real estate.
- D. Membership in organized real estate does not eliminate the requirement to comply with *REBBA Code of Ethics*.

**BQ1.8.** Every brokerage must designate a Broker of Record. Which of the following activities of the Broker of Record is NOT mandated under REBBA?

- A. Supervise day-to-day activities of the brokerage and all its employees.
- B. Authorize transactions from the real estate trust account.
- C. Attend all sales meetings of the salespersons and brokers in the brokerage.
- D. Take reasonable steps to correct non-compliance with REBBA and Regulations.

**BQ1.9.** The Broker of Record of a real estate brokerage:

- A. Must be the owner himself/herself in case of the brokerage is operating as a sole proprietorship.
- B. Must be elected by the salespersons and brokers hired by the brokerage.
- C. Must have a written agreement with the brokerage and a copy must be attached with an application for registration of a brokerage.
- D. Need not supervise independent contractor salespersons/brokers because they are not treated as employees of the brokerage.

**BQ1.10.** As a general rule, the broker of record may also be held accountable for the conduct of a salesperson or broker, although they are individually responsible for their own conduct under REBBA. Which of the following is NOT one of these circumstances?

- A. When the broker of record was clearly aware of and involved in the actions of employees but did not take any action to correct the situation.
- B. When the broker of record did not provide adequate supervision and thus, allowed improper behaviour or conduct.
- C. When the broker of record became aware of the misconduct and properly addressed the situation.
- D. When the broker of record failed to notify the Real Estate Council of Ontario about any misconduct or fraudulent activity of the salesperson or broker.

**BQ1.11.** The *Real Estate Council of Ontario (RECO)* may hold a broker of record responsible for the activities of its salesperson/broker employees when:

- A. The broker of record failed to notify the council after becoming aware of a fraudulent or unlawful activity.
- B. The broker of record was not aware of and was not directly or indirectly involved in an unlawful activity.
- C. The broker of record had provided adequate supervision and did not allow any misconduct or improper behaviour in the brokerage.
- D. The broker of record had tried to address a situation in an appropriate manner or took corrective action.

**BQ1.12.** The broker of record has certain duties with respect to management of the brokerage to comply with the provisions of REBBA. The broker of record is permitted to delegate certain duties to the administrative staff, employed salespersons, and brokers within the brokerage. Which of the following statements is correct with respect to delegation of duties?

- A. Even if the duties are delegated, the broker of record remains responsible to ensure that there is no violation of REBBA and Regulations.
- B. Duties of the brokerage regarding trading in real estate can be delegated to other brokerages if the brokerage does not have competent employees to carry out those duties.
- C. REBBA permits delegation of duties of the broker of record to any of its employees.
- D. At least one broker in the brokerage must be appointed as an associate broker of record to ensure that the salespersons and brokers are in compliance with REBBA.

**BQ1.13.** The *Real Estate and Business Brokers Act (REBBA)* requires all real estate brokerages to maintain a *Real Estate Trust Account*. This account:

- A. Must be an interest-bearing account and the rate of interest must be disclosed to all clients involved in a transaction.
- B. Is mandated by the local real estate board and is not required if a brokerage is not a member of the board.
- C. Must have a separate account ledger and the brokerage must reconcile it every month with the bank statements.
- D. Must be with a reputed Canadian financial institution and located anywhere in Canada.

**BQ1.14.** The *Real Estate and Business Brokers Act (REBBA)* requires all real estate brokerages to maintain a *Real Estate Trust Account*. Which of the following statements is FALSE in this regard?

- A. A brokerage must have a real estate trust account for each client.
- B. All deposit funds must be placed in the real trust account within 5 business days of receipt.
- C. Money paid by mistake into trust may be withdrawn from the trust account provided an appropriate note is entered in the trust ledger.
- D. Money paid for expenses incurred on behalf of a client cannot be withdrawn from the real estate trust account.

**BQ1.15.** The *Real Estate and Business Brokers Act (REBBA)* does NOT:

- A. Set out sales procedures which must be followed by all registrants in order to maintain their registration in good standing.
- B. Establish a body called the Real Estate Council of Ontario (RECO) which administers the Act and Regulations.
- C. Provide for legislation for subdivision plans by requiring all developers to supply a disclosure statement.
- D. Require that all real estate salespersons, brokers, and brokerages be registered.

**BQ1.16.** RECO may take the path of a '*progressive discipline*' for a registrant in any of the following circumstances, *except* when:

- A. The registrant has made the same mistake repeatedly.
- B. A mistake is not corrected even after a warning is issued.
- C. A registrant is ordered to appear before the Discipline Committee.
- D. The registrant is found to be involved in a fraudulent or criminal activity.

**BQ1.17.** Broker of Record Binny has just registered a new real estate brokerage. When his brokerage became a member of the local real estate board, he had to open a *Commission/Remuneration Trust Account* in a bank as per the board rules. Which of the following does NOT get paid from this account?

- A. The salesperson who is involved in a transaction.
- B. The co-operating brokerage who sells a property.
- C. The salesperson of the co-operating brokerage.
- D. The brokerage itself.

**BQ1.18.** Square Real Estate Ltd. is in receipt of an offer on their listing for a property located at 41 Cram Square. The offer comes with a deposit of \$10,000 in the form of a certified cheque. Square Real Estate Ltd. deposits the funds in its real estate trust account as required by REBBA. The offer is conditional upon the buyer arranging a mortgage loan within 5 business days of acceptance. Unfortunately, the buyer is not able to obtain financing and the agreement fails. Based on the mortgage condition in the offer, the buyer is now asking for his deposit to be returned. Which of the following statements is correct in this regard?

- A. Square Real Estate Ltd. has an obligation to return the deposit to the buyer and it is clearly mentioned in the mortgage condition.
- B. A Mutual Release form must be signed by both parties and this is the only way the deposit can be returned to the buyer.
- C. When an agreement fails due to inability of the buyer to obtain financing, the sellers automatically get the right to forfeit the deposit funds.

- D. If the sellers do not agree to signing the Mutual Release form, the buyer can try to obtain a court order to receive his deposit.

**BQ1.19.** If a brokerage does not maintain a *Commission/Remuneration Trust Account*, then:

- A. RECO will require the brokerage to have mandatory business insurance.
- B. The salespersons and brokers of the brokerage may not be able to make a claim under the *Commission Protection Insurance*.
- C. The buyers deposit will not be protected under RECO insurance program.
- D. Its salespersons or brokers may not be covered under RECO's *Errors and Omissions* insurance.

**BQ1.20.** Every brokerage must follow REBBA and its Regulations regarding maintenance of the *Real Estate Trust Account*. Transactions in the real estate trust account:

- A. Must be authorized by broker of record and include minimum information such as date, description of entry, trade number, cheque number, explanation, etc.
- B. Must be listed in the trust ledger and authorized by a registered broker.
- C. Must never be made using electronic funds transfer unless specifically authorized by the Registrar.
- D. Must be reconciled with bank statements as and when the Registrar requires.

**BQ1.21.** A salesperson, acting for the listing brokerage, prepared an offer for buyer Bright. The offer was conditional upon arranging satisfactory financing within 20 days, which was subsequently accepted by the seller. A few days after acceptance, the buyer informs the salesperson that he is having difficulty getting a mortgage loan and wants his deposit back. In this situation:

- A. The salesperson should tell the buyer that the deposit refund cheque would be sent to him within the next few days.
- B. The brokerage can release the deposit refund cheque with the approval of the broker of record provided that a request is received from one of the parties.
- C. The brokerage can release the deposit once all parties to the agreement sign a Mutual Release.
- D. The brokerage can release the deposit once a written request is received from the buyer as the money belongs to the buyer.

**BQ1.22.** A buyer paid \$20,000 as deposit for purchase of a two-storey home. The closing was set for 2 months but the listing brokerage filed for bankruptcy and refused to pay back the buyer. Which of the following will help the salesperson in getting back the buyer's funds?

- A. The business insurance of the listing brokerage.
- B. The Errors and Omissions insurance of the listing salesperson.
- C. The Consumer Deposit Protection insurance.
- D. The real estate trust account of the listing brokerage.

**BQ1.23.** Jenny has just joined Cram Realty Inc. and applied to RECO for her registration as salesperson. After obtaining her registration, which of the following activities she cannot legally perform?

- A. Work for two brokerages at the same time.
- B. List resale homes in the neighbouring towns.
- C. Sell the properties listed by other brokerages.
- D. List and rent commercial office and retail space.

**BQ1.24.** Registered salespersons and brokers in Ontario have the authority to trade in real estate because:

- A. Membership in the local real estate board provides them the necessary authority to represent buyers and sellers.
- B. REBBA authorizes registered brokerages to delegate the agency duties to its salespersons/brokers.
- C. The Agency Law specifically provides this authority to registered salespersons and brokers.
- D. Seller and buyer clients provide this authority in representation agreements.

**BQ1.25.** Which of the following statements is correct about disclosures in a salesperson's registration application?

- A. The applicant is required to provide RECO with a police clearance certificate and a copy of the Consumer Report.
- B. If the applicant was tried but not convicted for a criminal offence, he need not make any disclosure.
- C. If a bankruptcy was filed more than 5 years ago, it need not be disclosed.
- D. The applicant must disclose any bankruptcies and any current or pending criminal charges.

**BQ1.26.** Real estate registrants must be careful that their registration is in good standing at all times during the time they are involved in real estate trading. There are several legal requirements in order to maintain an individual's registration. Which of the following is NOT one of them?

- A. Paying RECO Insurance premiums on time.
- B. Obtaining the Broker registration within 2 years after completion of post-registration courses.
- C. Completing post-registration courses with 2 years of initial registration.
- D. Completing Mandatory Continuing Educational courses every 2 years after the Articling Period.

**BQ1.27.** The broker of record of a real estate brokerage has several responsibilities under the *Real Estate and Business Brokers Act (REBBA)*. Which of the following is NOT one of them?

- A. Enforce compliance with REBBA and its Regulations.
- B. Sign real estate trust account transactions and monthly reconciliations.
- C. Delegate the signing authority to another broker in case he/she does not wish to act personally.
- D. Sign all trade record sheets and review the trade related documents.

**BQ1.28.** Broker of Record Binny is expanding his real estate business and planning a branch office. The *Real Estate and Business Brokers Act (REBBA)* has certain requirements regarding

operation of a brokerage from more than one location. Which of the following statements is correct in this regard?

- A. A brokerage may conduct business from more than one location provided that each office is separately registered.
- B. Any office other than the main office must have also have a branch Broker of Record.
- C. A branch office with up to 5 salespersons does not need any supervision.
- D. The designated branch manager must be a registered broker with minimum 2 years experience.

**BQ1.29.** The *Real Estate and Business Brokers Act (REBBA)* provides that the branch office of a real estate brokerage:

- A. Need not be supervised if there are only one or two salespersons.
- B. Must hire a minimum of 2 salespersons for registration with RECO.
- C. Must conduct real estate business through the main office only.
- D. Can hire only registered salespersons and not brokers.

**BQ1.30.** REBBA requires that the branch office of a real estate brokerage must have a branch manager. Which of the following statements is correct about the qualifying criteria for designating a branch manager?

- A. The broker of record must also be the branch manager in all branch offices of the brokerage.
- B. Only a broker in the branch may be designated as a branch manager and does not need supervision of the Broker of Record.
- C. Any salesperson with minimum 5 years' experience may be designated as a branch manager but must work under direct supervision of the Broker of Record.
- D. Any salesperson with a minimum of 2 years' experience may be designated as a branch manager but must be under direct supervision of a broker.

**BQ1.31.** Which of the following is NOT a pre-requisite when an individual applies for registration as a salesperson?

- A. Evidence that the applicant has completed the education process.
- B. Police clearance certificate as an evidence of no criminal charges.
- C. Completed RECO registration application along with applicable fees.
- D. A copy of credit report as an evidence that there are no bankruptcies or proposals.

**BQ1.32.** Continuation of real estate education is mandatory for all registrants as per the provisions of the *Real Estate and Business Brokers Act*. Which of the following statements is NOT in this regard?

- A. Registrants who have completed their initial 2 years of registration must complete mandatory continuing education courses after renewal of their registration.
- B. The requirement of mandatory continuing education is for salespersons and not for brokers.
- C. If mandatory continuing education requirements are not met the registrar may refuse renewal of registration.

- D. Completion of additional post-registration courses is not a substitute for the mandatory continuing educational courses.

**BQ1.33.** Registered salespersons must complete certain post-registration courses after their initial registration. Which of the following statements is correct in this regard?

- A. The requirement for post-registration courses is for newly registered salespersons and not for newly registered brokers.
- B. All salespersons must complete at least one post-registration course within one year of the initial registration.
- C. After completing the post-registration courses, the salesperson must complete the broker course.
- D. Once the post-registration courses are successfully completed, a salesperson is qualified for registration as a broker.

**BQ1.34.** The broker of record must ensure that an individual who is seeking registration as a salesperson through the brokerage has meets the minimum eligibility criteria. Which of the following is NOT one of these requirements?

- A. The individual must be a resident of Ontario.
- B. The applicant must have completed the pre-registration educational courses and the application must be accompanied by required fees.
- C. The applicant must disclose any prior bankruptcies and/or ongoing or pending court cases against him.
- D. The applicant must have attained the age of majority.

**BQ1.35.** Megan, in her registration application to RECO, disclosed that she had filed for bankruptcy three years ago before starting the real estate courses. The registrar had asked her to provide more information, which she promptly did. This disclosure by the applicant may result in:

- A. Refusal of the registration application.
- B. Further assessment and review by RECO.
- C. Restrictions on applying for the next five years.
- D. Completion of the financial management course.

**BQ1.36.** Salespersons, brokers, and brokerages may hire unregistered assistants to help them in their trading activities. Which of the following statements is correct in this regard?

- A. The assistant can receive payment directly from the registrant they are assisting for any activity that falls under REBBA.
- B. They are not permitted to show properties, hold open houses, or perform telephone solicitation for the registrant they are assisting.
- C. Their duties are limited to administrative functions only and can be paid directly by the registrant they are assisting.
- D. To participate in any activity that falls under the definition of trade, the assistant must be registered with the same brokerage as the registrant they are assisting.

**BQ1.37.** Unregistered administrative staff is permitted to perform certain functions within a brokerage. Which of the following statements is correct in this regard?

- A. An unregistered person can be paid remuneration for referrals provided that it is recorded in the trade record sheet.
- B. Unregistered persons may hold open houses but only if business cards and signs of a registered salesperson or broker are used.
- C. Unregistered persons are not permitted to be involved in direct listing or selling of real estate.
- D. Unregistered persons are not required to be trained in use of computer software used for record keeping of the brokerage.

**BQ1.38.** A valid reason for refusal of a salesperson application to the Registrar of RECO may be that:

- A. The applicant provided accurate information and a disclosure about his/her other employment.
- B. The applicant did not provide adequate disclosures about his/her unpaid credit card loan of \$12,000.
- C. The applicant did not disclose that he/she was currently being investigated for a criminal activity.
- D. The applicant has provided full details of his previous bankruptcy when so requested by the Registrar.

**BQ1.39.** According to the *Real Estate and Business Brokers Act (REBBA)* and Regulations, which of the following statements is correct?

- A. An individual may commence trading in real estate immediately after receiving proof of completing the pre-registration courses.
- B. All staff employed by a real estate brokerage must be registered with the Real Estate Council of Ontario.
- C. An individual may be registered independently as a real estate salesperson or broker without being employed by a registered real estate brokerage.
- D. A salesperson is employed by his or her brokerage to trade in real estate in the name of the brokerage and on behalf of the brokerage.

**BQ1.40.** When a salesperson has applied for registration to RECO and is awaiting approval, he/she may be involved in several activities to get started. As per REBBA, which of the following activities would NOT be prohibited during the waiting period?

- A. Collecting information and building a database of his friends, relatives, and accomplices.
- B. Making and receiving calls to get started in real estate business as soon as possible.
- C. Conducting open houses on behalf of other salespersons in the same brokerage.
- D. Distributing business cards or flyers for advertising in his/her farming area.

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## DETAILED ANSWERS

### Module 1. Understanding REBBA and Code of Ethics

#### BQ1.1. Answer A.

The primary function of the *Real Estate Council of Ontario (RECO)* is to protect public interest, trust, and confidence in real estate trading. RECO is an administrative authority, which enforces the *Real Estate and Business Brokers Act (REBBA)*.

The *Multiple Listing Service®* is maintained by the local real estate board. The *CREA Code of Ethics* is for members of organized real estate and outside the jurisdiction of RECO. The standards of education are set by RECO, but delivery of courses is undertaken by a private institution, which is currently the Humber College.

#### BQ1.2. Answer C.

One of the functions of the Real Estate Council of Ontario (RECO) is to impose applicable sanctions against RECO registrants. This usually occurs when a registrant is found to be in gross violation of Code of Ethics.

The local listing service is maintained by the local real estate boards. Protecting the MLS® and REALTOR® trademarks is also the responsibility of the local real estate boards. RECO does not regulate the activities of the local real estate boards, which are self-governing bodies.

#### BQ1.3. Answer A.

Although the *Real Estate Council of Ontario (RECO)* is responsible to set standards and minimum requirements for obtaining registration and sets standards of real estate education, it is not responsible for providing real estate education. This authority is generally delegated by the Council to a third-party education provider (such as the Humber College).

RECO's standing committees are appointed for research and study on specific real estate matters. Dispute resolution functions are handled by the *Registrar's Complaints and Inquiries (RCI)* Process. The minimum ethical standards of business for brokerages affiliated to organized real estate in Canada are set out in the Code of Ethics of their professional associations. RECO sets the *Code of Ethics* for all real estate registrants in Ontario. RECO does not have the authority to conduct investigations and inspections of any individual's private property.

#### BQ1.4. Answer A.

The *Real Estate Council of Ontario (RECO)* is responsible for registrations, renewals, suspensions, and revoking registrations. These are some of the functions of RECO under the *Real Estate and Business Brokers Act (REBBA)*.

The CREA Code of Ethics is enforced by the local real estate boards on its member registrants. The RECO board of directors consists of 12 members; of which 9 are elected registrants and 3 are appointed by the *Ministry of Government and Consumer Services*. RECO does not act against any registrant who does not abide by the MLS® rules and regulations.

#### BQ1.5. Answer C.

RECO has established a *Registrar's Complaints and Inquiries (RCI)* process so that consumers may make complaints against registrants. This is an example of how RECO fulfills its mandate to protect consumer confidence in real estate trading.

Completion of *Mandatory Continuing Educational (MCE)* courses is a requirement for existing registrants and not for new applicants. RECO insurance is for registered salespersons and brokers and not for brokerages. The *CREA® Code of Ethics* is only for the members of organized real estate, not for 'all' registrants.

**BQ1.6. Answer A.**

REBBA does not require a registrant to become a member of organized real estate. This membership is voluntary and not mandatory according to the Act.

Registration with RECO permits the registrant to trade only in the province of Ontario. The *MLS®* and *REALTOR®* trademarks are owned and protected by the *Canadian Real Estate Association (CREA)*. The *CREA Code of Ethics* is mandatory only for the members of organized real estate and not for 'every' registrant.

**BQ1.7. Answer B.**

RECO insurance is mandatory for both members and non-members of organized real estate. Membership in organized real estate does not exempt a salesperson or broker from RECO insurance requirements.

The question is asking for an *incorrect* statement. Other options with respect to membership in organized real estate are *correct*.

**BQ1.8. Answer C.**

It is not mandatory for a Broker of Record to attend all sales meetings of the salespersons and brokers in the office. This responsibility may be delegated to an experienced salesperson or a broker in the office.

According to REBBA, the responsibilities of the Broker of Record include supervision of day-to-day activities of the brokerage and its employees to ensure compliance with REBBA and associated Regulations. He/she also must authorize all transactions from the real estate trust account.

**BQ1.9. Answer A.**

When a brokerage is operating as a sole proprietorship, the owner himself/herself must be designated as its Broker or Record. The brokerage cannot hire another person for this position.

The broker of record of a brokerage is not elected by its salespersons and brokers but is usually designated by the corporation or the partnership. It is not mandatory that the agreement with the broker of record be sent to RECO for registration of the brokerage. The broker of record is ultimately responsible to supervise all employees of the brokerage, whether they are 'employees' or 'independent contractors'.

**BQ1.10. Answer C.**

The broker of record of the brokerage has the ultimate responsibility to address the misconduct of the salespersons and brokers. If there is an instance of misconduct or non-compliance by a salesperson/broker and the broker of record becomes aware of it, he/she must immediately take

reasonable steps to address the situation. If the misconduct by the salesperson continues even after this, the broker of record is not likely to be held responsible.

In other situations, the Broker of Record is likely to be held responsible for the acts of employee salespersons and brokers.

### **BQ1.11. Answer A.**

The broker of record becomes responsible for the activities of the employee salespersons and brokers if he/she becomes aware of a fraudulent or unlawful activity of an employee salespersons and brokers and fails to notify RECO.

In other examples given here, the broker of record is likely to avoid responsibility as he is acting in compliance with REBBA and associated Regulations.

### **BQ1.12. Answer A.**

The broker of record has the ultimate responsibility to ensure that the activities of the brokerage and its employees (salespersons, brokers, and administration staff) are not in violation of REBBA and associated Regulations. This responsibility remains even if certain duties are delegated to the employees of the brokerage.

A brokerage cannot delegate its real estate trading duties to another brokerage just because the brokerage itself does not have competent staff. Further, the duties of the broker of record cannot be delegated to 'any' of its employees. REBBA specifies certain requirements in regard to delegation of these duties. There is no such requirement under REBBA that there should be at least one 'associate broker of record' in a brokerage.

### **BQ1.13. Answer C.**

The *Real Estate Trust Account* mandated under the *Real Estate and Business Brokers Act (REBBA)* must be a separate from the general operating account of the brokerage. It must have separate accounts ledger, which must be reconciled with bank statements every month.

REBBA does not require the trust account to be an interest-bearing account. The trust account is required whether or not the brokerage is a member of local real estate board. As per REBBA, the trust account must be in a recognized bank located in Ontario.

### **BQ1.14. Answer A.**

A real estate brokerage is not required to maintain a separate real estate trust account for each client. Instead, a real estate brokerage is required to maintain only one trust account for keeping the deposit money as a stakeholder for all its clients. If a brokerage requires more than one trust account, it must obtain authorization from the Registrar.

All deposit funds given by the clients must be placed in this real estate trust account as soon as they are received, but not later than 5 business days from the date of receipt. The brokerage can withdraw any money which is mistakenly deposited in this account, provided that an appropriate note is entered in the trust ledger. The brokerage cannot withdraw money from the real estate trust account for expenses incurred on behalf of a client even if the client gives instructions for withdrawal.

### **BQ1.15. Answer C.**

The *Real Estate and Business Brokers Act (REBBA)* does not provide for subdivision regulations by requiring all developers to supply a disclosure statement. This requirement is under the *Ontario New Home Warranties Plan Act* and the *Condominium Act*.

REBBA does set out procedures for registrants (salespersons, brokers, and brokerages) that must be followed in order to keep their registration in good standing. The Act does establish a body called the *Real Estate Council of Ontario (RECO)* which administers the Act and Regulations. The Act requires that all salespersons, brokers, and brokerages be registered in order to trade in real estate.

**BQ1.16. Answer D.**

When a registrant is found to be involved in a fraudulent or criminal activity, the 'progressive discipline' approach may not be adopted by RECO. In this situation, RECO may order immediate suspension or revocation of registration and/or take the registrant to Provincial Offences Court.

The '*Progressive Discipline*' path is typically adopted when a registrant repeatedly commits the same mistake, such as breaking an advertising rule or the violation of Code of Ethics. In these circumstances, the Discipline Committee may impose a fine up to \$25,000 for the salesperson and/or the Broker of Record.

**BQ1.17. Answer C.**

The purpose of the *Commission/Remuneration Trust Account* is to facilitate payment of remuneration to co-operating brokerages, the brokerage itself and the employees of the brokerage. Salespersons of co-operating brokerages cannot be paid remuneration from this account. Their remuneration is paid by their employer brokerage from their its own *Commission/Remuneration Trust Account*.

**BQ1.18. Answer D.**

In case a transaction fails due to some reasons, the trust funds (*deposit*) can be returned to the buyer when both parties (the seller and the buyer) have signed the '*Mutual Release*' form. In the absence of the *Mutual Release*, the buyer may approach the court, which may authorize the return of deposit to the buyer from the real estate trust account.

The brokerage is obliged to return the deposit to the buyer when it either receives a *Mutual Release* signed by both parties, or when the court authorizes the return. Hence, it is incorrect that the '*only*' way the deposit can be returned to the buyer is when the parties have signed the *Mutual Release* form. The seller does not have the automatic right to forfeit deposit in case the conditions are not fulfilled.

**BQ1.19. Answer B.**

RECO's *Commission Protection* insurance does not cover a salesperson or broker for lost remuneration when he/she is aware that the brokerage does not maintain a *Commission/Remuneration Trust Account* This trust account is not mandatory under REBBA but is required by certain real estate boards.

The buyers' deposits are protected under the *Consumer Deposit Protection* insurance. The *Errors and Omissions* insurance is for protecting the registrants for negligence committed during real estate trading. RECO does not require any brokerage to maintain business insurance.

**BQ1.20. Answer A.**

According to the *Real Estate and Business Brokers Act (REBBA)*, all transactions from the real estate trust account must be authorized by the Broker of Record. The minimum information required for a transaction (deposit or withdrawal) includes the date, description of entry (such as receipt, disbursement, etc.), trade number, cheque number, explanation, etc.

It is not any registered broker but the Broker of Record who authorizes a transaction from the trust account. It is not necessary that transactions be made using electronic funds transfer method. Approval of the Registrar of RECO is not required for either electronic funds transfer or manual transfer of funds. The reconciliation of the trust ledger with bank statements is performed every month and not only when the Registrar requires it.

**BQ1.21. Answer C.**

Salespersons are expected to know the purpose and working of the real estate trust account. In case a transaction fails due to some reasons, the trust funds (*deposit*) can be returned to the buyer when both parties (the seller and the buyer) have signed the '*Mutual Release*' form.

In the given situation, the salesperson cannot promise the buyer that the deposit cheque would be sent within the next few days. Deposit cannot be returned when only one of the parties sends a request to the brokerage, even if the broker of Record approves it. Although the deposit money belongs to the buyer, the brokerage must receive the *Mutual Release* signed by both parties before the deposit can be returned to the buyer.

**BQ1.22. Answer C.**

The objective of the *Consumer Deposit Protection* insurance is to protect buyer's deposits in the event of fraud by a registrant, misappropriation of funds, and insolvency (*bankruptcy*) of a brokerage.

The business insurance of the listing brokerage is for protecting the brokerage, and not its employees or buyer's deposits. The *Errors and Omissions* insurance protects individual registrants for negligent acts during real estate trading activities. The real estate trust account is for keeping the deposit funds separate from the general operating funds of a brokerage.

**BQ1.23. Answer A.**

A salesperson can only be an employee of a single brokerage. As such, it would be illegal for a salesperson to work for two brokerages simultaneously. A registered salesperson can be involved in selling properties listed by his/her own brokerage or any other registered brokerage in Ontario. He/she can also be involved in listing and renting (leasing) commercial office or retail space.

**BQ1.24. Answer B.**

The *Real Estate and Business Brokers Act (REBBA)* authorizes registered real estate brokerages to delegate the agency duties to its employee salespersons and brokers.

This authority is not granted by the local real estate board, by the *Agency Law*, or by any buyer or seller client in the representation agreement. The representation agreement is signed between the seller or buyer and the brokerage.

**BQ1.25. Answer D.**

REBBA and Regulations require an applicant to disclose any bankruptcies and previous or pending criminal charges in the registration application.

A copy of current *Criminal Record Check* is required with the application, but a consumer report is not required. The applicant must disclose any current or past criminal charges whether he/she was convicted or not. Similarly, current, or previous bankruptcies must be disclosed, irrespective of the date of filing or the date of discharge.

**BQ1.26. Answer B.**

It is not mandatory that an individual obtains the broker registration within 2 years after completing his or her post-registration courses. There is no such requirement under the *Real Estate and Business Brokers Act (REBBA)*. Only those salespersons who wish to obtain a broker registration are required to complete the broker course.

However, a salesperson must pay the mandatory RECO insurance premiums; complete the required post-registration courses within first 2 years of initial registration; and must complete the *Mandatory Continuing Educational (MCE)* courses every 2 years after the initial articling period.

**BQ1.27. Answer C.**

The Broker of Record cannot designate an alternate broker as a signing authority when he/she himself is *unwilling* to do personally. Designating alternate signing authority is for exceptional circumstances only, such as in case of emergency, when the Broker of Record is *unable* to personally sign the documents.

**BQ1.28. Answer A.**

The *Real Estate and Business Brokers Act (REBBA)* requires that a branch office of a brokerage must have its separate registration and there must be a designated branch manager.

Any branch office with 2 or more salespersons must be supervised by a branch manager. A branch manager may be a registered broker or a salesperson with more than 2 years' experience and under direct supervision of a broker. A branch office does not need a Broker of Record because a brokerage can have only one Broker of Record.

**BQ1.29. Answer A.**

REBBA provides that the branch office of a real estate brokerage need not be supervised if only one or two salespersons are operating from the branch. These salespersons should be directly supervised by the Broker of Record at the main office.

There is no requirement that the branch office must hire a minimum of 2 salespersons to get registered with RECO. After registration, the branch office may conduct its usual real estate business from the location and may hire both salespersons and brokers.

**BQ1.30. Answer D.**

A branch manager may be a broker or a salesperson with minimum 2 years' experience and under direct supervision of a broker. A salesperson designated as a branch manager does not need 5 years' experience and need not be supervised by the Broker of Record. The Broker of Record himself cannot be designated as a branch manager.

**BQ1.31. Answer D.**

A copy of consumer report (*credit report*) is not attached to the application for registration. The applicant only has to make a disclosure in case he/she has filed for bankruptcy or proposal for debt settlement.

Other options are incorrect because all these documents are required with the application.

**BQ1.32. Answer B.**

The statement that the mandatory continuing education (MCE) is for salespersons only and not for brokers is false. This requirement is for both salespersons and brokers.

Every salesperson and broker must complete the MCE courses after the initial 2 years of articling period. If these courses are not completed, the registrar may refuse renewal of registration. Completion of additional post-registration courses is not a substitute for the MCE courses.

**BQ1.33. Answer A.**

The requirement of completing the post-registration courses is only for newly registered salespersons. It is not for brokers because an individual who is registered as a broker has already completed these courses.

All newly registered salespersons must complete two post-registration courses within the first two years of registration. Successful completion of post-registration courses does not make the salesperson eligible for registration as a broker. Additional Broker courses must be completed to obtain the broker designation. Completion of the broker course after completing the post-registration courses is optional.

**BQ1.34. Answer A.**

It is incorrect that for registration as a salesperson, the applicant must be a resident of Ontario. Instead, the applicant must be a resident of Canada.

Other options correctly describe some of the eligibility requirements for registration as a salesperson in Ontario.

**BQ1.35. Answer B.**

An applicant must make a full disclosure of a previous or current bankruptcy to RECO at the time of application for registration. The registrar may require the applicant to disclose the specific circumstances and provide the relevant documentation in this regard. However, this disclosure does not necessarily mean that the registration application will be refused unless a full review is conducted by the Registrar. The applicant is not required to complete any financial management courses and no restriction is imposed for submitting the registration application again in future.

**BQ1.36. Answer B.**

Unregistered assistants are not permitted to be involved in any activity that may be regarded as '*trading*' in real estate. Showing properties, holding open houses, performing telephone solicitation, etc. are all treated as trading activities under REBBA.

Other options describe some of the activities that, in some way or the other, fall under the definition of 'trade' and require registration under REBBA.

**BQ1.37. Answer C.**

Under the *Real Estate and Business Brokers Act*, unregistered persons or assistants are not permitted to be involved in any activity that is considered 'trading' in real estate. Listing or selling of real estate is obviously an activity which is treated as trading in real estate.

Other statements are incorrect as these activities of unregistered persons *are* permitted under REBBA.

**BQ1.38. Answer C.**

Disclosure of any pending or past criminal activity is required when an individual applies for registration as a salesperson or broker. Failure to do so may result in refusal of registration or renewal application.

Providing accurate information and disclosures about other employment, non-disclosure of a \$12,000 credit card loan, or providing full details of a previous bankruptcy are not likely the reasons for refusal of registration application.

**BQ1.39. Answer D.**

A salesperson is essentially an employee of his/her brokerage and represents the clients on behalf of the brokerage. Under the *Real Estate and Business Brokers Act (REBBA)*, a salesperson or broker cannot work independently but must be employed by a registered brokerage and must work under the name and authority of that brokerage.

An individual cannot start trading in real estate immediately after completing the pre-registration courses, but first be employed by a registered brokerage and receive registration certificate from RECO. All staff members in a brokerage office need not be registered under REBBA. Only the staff who are actively trading in real estate, such as salespersons, brokers, and the broker of record need to be registered.

**BQ1.40. Answer A.**

Until the time the application for registration is not approved by the Registrar of RECO and the salesperson has not paid the RECO Insurance premiums, the applicant cannot get involved in any activity that may be considered as *trading* in real estate.

From the given options, the only activity the applicant can get involved in is to start collecting information and make a database of his/her friends, relatives, and accomplices. This database can later be used to solicit real estate business.

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