

Sample CRI® Level I Examination Questions

1. Which of the following statements are true with respect to the impact of location, visibility, access and construction quality when determining the classification of a Class A apartment complex?
- A. good location, visibility and access
 - B. poor location, visibility and access
 - C. built with high quality construction materials
 - D. built with average quality construction materials

Answer: A

2. A professor rented his residence when he left for sabbatical. He sold his house when he returned. He claimed the intention to have a 1031 Exchange in the offer to purchase. He named his close friend (a Professor of Real Estate and Finance) as the Qualified Intermediary. Sixty days later he named a Replacement Property (an apartment in the town to which he was moving) and closed in 180 days from the offer acceptance date. The Closing Agent should tell him this transaction will not qualify because
- A. residences do not qualify for 1041 Exchanges.
 - B. his friend cannot be the facilitator because accountants, lawyers and brokers qualify.
 - C. the Replacement Property is not a "like kind" property per the code.
 - D. required time constraints were not satisfied.

Answer: D

3. The clause in a mortgage that limits liability of the borrower and/or the borrower's principals is known as the
- A. exculpation clause.
 - B. habendum clause.
 - C. subordination clause.
 - D. non-waiver clause

Answer: A

4. Which of the following types of real property security agreements typically grant the lender the power to foreclose non-judicially?
- 1. mortgage
 - 2. mortgage with power of sale
 - 3. deed of trust
 - 4. deed to secure debt
- A. 1, 2 and 3 only
 - B. 1, 2 and 4 only
 - C. 1, 3 and 4 only
 - D. 2, 3 and 4 only

Answer: D

5. A lender is considering a pool of loans. Debt service on the fixed rate portion of the pool is \$7,980,000 per year (\$100,000,000, 7%, 30 years). The floating rate portion has a current rate of 5.5%, is interest only, has a principal balance of \$65,000,000 and \$5,005,000 NOI. The interest rate on the floating portion of the pool is expected to increase to 7.5% at the time the loans are acquired. Assuming the lender wants to maximize debt service coverage ratio, which portion should be chosen and why this is the best choice?
- A. floating rate, coverage is initially better
 - B. floating rate, chance for rates to decrease
 - C. fixed rate, overall more positive coverage
 - D. fixed rate, amortization helps reduce the principal

Answer: D

6. Which of the following are criteria a lender can use to tighten their underwriting?

1. increase LTV
2. increase DCR
3. decrease LTV
4. decrease DCR

- A. 1 and 2 only
- B. 1 and 4 only
- C. 2 and 3 only
- D. 3 and 4 only

Answer: C

7. When comparing option-adjusted spread analyses, it is necessary to check assumptions used for the

- A. rate volatility and benchmark on-the-run yield curve.
- B. overall capitalization rate and stabilized option income.
- C. average life of the option and the yield to option.
- D. Macaulay duration and the constant yield to maturity.

Answer: A

8. An appraiser is asked to forecast demand for a residential subdivision. She has identified 3 competitive subdivisions in the subject's market area. Over the past year, these subdivisions respectively had an average sales of 3 lots per month, 5 lots per month, and 7 lots per month. Assuming the subject subdivision is as desirable as the others, what level of lot sales per month should the appraiser forecast for the subject property?

- A. 3.75
- B. 4.00
- C. 4.50
- D. 5.00

Answer: A

9. A tenant leases 10,000 sf pursuant to a 10-year lease at \$25/sf full service gross (FSG) with \$1/sf/year in rent escalations. In Year 5, the tenant gives the landlord offer notice that the tenant intends to offer the entire space for sublease at the end of the year due to a consolidation of the tenant's company. At the time the tenant executed the lease, market rents were \$26.50/sf FSG. Rental inflation is 3%/year, market lease terms are 5 years, there is no downtime, T.I.S. or L.L.S. What is the minimum rent the landlord must achieve in Year 6 to profitably exercise its right to recapture and re-let the space?

- A. \$29.98/sf FSG
- B. \$30.00/sf FSG
- C. \$30.50/sf FSG
- D. \$30.72/sf FSG

Answer: C

10. Which of the following documents revealing personal information does a property owner who seeks financing typically provide?

1. financial statement
2. credit report
3. affidavit of net worth
4. income tax return

- A. 1 and 3 only
- B. 1 and 4 only
- C. 2 and 3 only
- D. 2 and 4 only

Answer: B