PRACTICE QUESTIONS

Alabama Real Estate Appraiser Program

LA9QHHW8

Certified Residential Appraiser Examination

EDITION	QUESTIONS	FORMAT
Demo	9	Limited Edition PDF

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Before you begin

What this is

9 practice questions for Alabama Real Estate Appraiser Program `LA9QHHW8`, each with its answer key and an explanation. Answer a question before you read its key — the explanation is worth more once you have committed.

If something looks wrong

Send us three things and we will check it:

- the exam code, `LA9QHHW8`
- the question number
- the email address on your order

Write to **support@mometrix.net**. We reply within one business day.

QUESTION 1 SINGLE CHOICE

An appraiser is valuing a vacant residential lot that is located in a recorded plat that restricts homes to a minimum 1,500 square foot footprint and requires all dwellings to be setback a minimum of 30 feet from the front lot line. The client wants to know the 'highest and best use' of the site as though it were vacant. Which of the following is the MOST appropriate determination?

A Legally permissible and physically possible, but not financially feasible to develop at this time due to soft market conditions.

B **Legally permissible, physically possible, and financially feasible for development of a single-family residence consistent with the plat restrictions.**

C Legally permissible only if the developer obtains a zoning variance, physically possible, and financially feasible.

D Not legally permissible because the plat restrictions are too onerous to support market-rate construction.

ANSWER **B**

WHY Highest and best use as though vacant requires the appraiser to test four criteria: legal permissibility, physical possibility, financial feasibility, and maximum productivity. Recorded plat restrictions are private covenants that run with the land and are legally enforceable; they are part of the legal framework for the site. A 1,500 sq ft minimum and a 30 ft front setback are common, buildable restrictions in residential subdivisions and do not preclude a legally conforming single-family residence. Because single-family construction is consistent with the zoning, allowed by the plat, physically possible on the lot, and typically financially feasible in a residential subdivision, the highest and best use as vacant is a single-family residence built to the plat standards.

QUESTION 2 SINGLE CHOICE

An appraiser has three comparable sales used in the sales comparison approach. Comparable 1 sold for $310,000 with 2,200 sq ft of GLA. Comparable 2 sold for $345,000 with 2,500 sq ft of GLA. Comparable 3 sold for $280,000 with 1,900 sq ft of GLA. If the appraiser applies a market-supported adjustment of $125 per square foot for differences in GLA, what is the indicated adjusted sale price of Comparable 2 relative to the subject's 2,200 sq ft of GLA?

A $332,500

B $345,000

C **$320,000**

D $357,500

ANSWER **C**

WHY Comparable 2 has 300 sq ft more GLA than the subject (2,500 - 2,200 = 300). To adjust Comparable 2 down to the subject's size, subtract 300 sq ft × $125 = $37,500. $345,000 - $37,500 = $320,000. This is the standard sequence in the sales comparison approach: adjust each comparable to the subject, then reconcile.

QUESTION 3 SINGLE CHOICE

Under USPAP Standards Rule 1-4(b), when developing a real property appraisal, an appraiser must reconcile the quality and quantity of data available and analyzed within each approach and the applicability of each approach to the property type. The reconciliation must produce which of the following?

- A **A single final opinion of value, not a range of values, and must not mislead the intended user.**
- B A range of values expressed to the client with a recommended midpoint.
- C An opinion of value based exclusively on the cost approach when the property is improved.
- D An opinion of value based exclusively on the sales comparison approach for residential properties.

ANSWER **A**

WHY USPAP Standards Rule 1-4(b) explicitly requires that 'the reconciliation of the approaches produces a credible appraisal report that is not misleading' and specifically states the appraisal must contain 'a single final opinion of value.' A range of values without a single point estimate does not satisfy SR 1-4(b). Likewise, neither the cost approach nor the sales comparison approach is required as the sole basis of value for residential properties; the appraiser reconciles applicable approaches based on the quality and quantity of data.

QUESTION 4 SINGLE CHOICE

An appraiser is applying the cost approach for a 25-year-old single-family residence. The estimated replacement cost new is $380,000. The appraiser estimates total accrued depreciation (physical deterioration, functional obsolescence, and external obsolescence combined) at 30%. What is the indicated value by the cost approach, excluding site value?

A $114,000

B **$266,000**

C $304,000

D $380,000

ANSWER **B**

WHY The cost approach formula is: Replacement Cost New - Total Accrued Depreciation + Site Value = Indicated Value. With RCN of $380,000 and total accrued depreciation of 30% ($114,000), the depreciated improvement value is $380,000 - $114,000 = $266,000. Site value would be added separately; the question asks only for the improvement contribution.

QUESTION 5 SINGLE CHOICE

An appraiser is valuing a single-family rental property. Comparable rental properties in the subject's market area have the following monthly rents and recent sale prices: $1,800 rent / $288,000 sale; $2,000 rent / $320,000 sale; $1,600 rent / $256,000 sale. What is the indicated gross rent multiplier (GRM) rounded to the nearest whole number?

- A 155
- B 160
- C 165
- D 170

ANSWER B

WHY GRM = Sale Price ÷ Monthly Rent. Comparable 1: $288,000 / $1,800 = 160. Comparable 2: $320,000 / $2,000 = 160. Comparable 3: $256,000 / $1,600 = 160. All three comparables indicate a GRM of 160, which is the typical pattern when the market shows consistent rent-to-price relationships. The appraiser would reconcile to a GRM of 160 and apply it to the subject's market rent.

QUESTION 6 SINGLE CHOICE

Under USPAP, an appraisal report can be communicated as either an Appraisal Report or a Restricted Use Appraisal Report. Which of the following is a distinguishing requirement for an Appraisal Report under Standards Rule 8-2(a)?

A It must be summarized in a letter format of no more than two pages.

B It must contain sufficient information to allow the client and other intended users to understand the report, but cannot be relied upon by parties other than the client.

C **It must contain sufficient information to enable the intended users to understand the report, and it states that the appraiser 'certifies' the content of the report.**

D It must only be available to the lender and may not be shared with the borrower's real estate agent.

ANSWER C

WHY Standards Rule 8-2(a) governs the Appraisal Report option. It requires that the report contain sufficient information to allow the intended users to understand the report, and it requires the appraiser to include a certification (the certification language of SR 8-2(a) is mandatory). Option B describes a Restricted Use Appraisal Report (SR 8-2(b)), which may only be relied upon by the client. Option A is incorrect because there is no page-limit requirement in USPAP. Option D is incorrect because USPAP does not restrict report distribution in that way; rather, the appraisal is communicated to the client, and parties other than the intended users are cautioned that the report was prepared for the intended use.

QUESTION 7 SINGLE CHOICE

When selecting comparable sales for a 2,000 sq ft subject property in a suburban subdivision, which of the following comparables would generally be considered the MOST appropriate?

A A property in a different subdivision 12 miles away, but identical size and sale date.

B **A property in the same subdivision, similar size, sold within the past 6 months, with similar site and improvement characteristics.**

C A property in the same city, similar size, sold 3 years ago, on a busy arterial road.

D A property in the same subdivision, very different size (3,400 sq ft), sold within the past 6 months.

ANSWER **B**

WHY Best comparable selection principles call for comparables that are similar in location, physical characteristics, and time of sale. The comparable in the same subdivision with similar size and recent sale date matches all three primary criteria and would require the fewest gross adjustments. Option A introduces a different location (typically requiring a location adjustment and possibly a different market area). Option C is too old and on a different site type. Option D differs significantly in size, requiring a large gross adjustment for GLA.

QUESTION 8 SINGLE CHOICE

In appraisal practice, market value and market rent are both market-derived economic concepts, but they differ in important ways. Which of the following BEST describes the relationship between market value and market rent?

A. Market value and market rent are identical concepts; if a property has a market rent, its value is simply rent × 12 months.

B. **Market value is an estimate of the most probable sale price; market rent is the most probable rent for a property offered in a competitive market, and value can be supported by capitalization of rent only when the rent is market-rent and the capitalization method is appropriate.**

C. Market rent is always equal to gross potential income of a property divided by its replacement cost.

D. Market value can be derived from market rent by applying only a gross rent multiplier, never by direct capitalization.

ANSWER B

WHY Market value is defined in USPAP as 'a type of value, expressed as an amount, that represents the probable exchange price... for a property offered in the market.' Market rent is defined by The Dictionary of Real Estate Appraisal as 'the most probable rent that a property would command in a competitive market.' They are distinct economic concepts. Capitalization of rent can support a value opinion, but only when the rent is a market rent and an appropriate direct capitalization or yield capitalization method is applied. Option A conflates them. Option C is an incorrect formula. Option D is incorrect because both GRM analysis and direct capitalization are valid income-based tools.

QUESTION 9 SINGLE CHOICE

An appraiser completes a residential appraisal report on February 15. Under USPAP, what is the earliest date the appraiser may discard the workfile for this assignment, assuming the client does not request a longer retention period?

A February 15 of the following year

B February 15 two years after the report was prepared

C February 15 five years after the report was prepared

D February 15 ten years after the report was prepared

ANSWER C

WHY USPAP Standards Rule 1-5 requires an appraiser to retain the workfile for a minimum of five years after preparation, or at least two years after final disposition of any judicial proceeding in which the appraiser provided testimony, whichever is later. Option C reflects the minimum five-year retention period.