

CHAPTER 3: Owner Relations

MATCHING:

principal
employee
percentage fees
agent
general agent

employer
trusts
flat or fixed fees
management contract
fiduciary duties

1. _____ An individual who is legally empowered to act on behalf of another
2. _____ A worker whose work is directed and controlled by the person for whom he or she works; usually has taxes withheld
3. _____ The individual or company who pays people to work for them; often pays a portion of employees contribution into Social Security
4. _____ The duties of an agent to the principal to maintain the greatest trust and confidence generally including care, obedience of lawful instructions, accountability, loyalty and disclosure of material facts
5. _____ A property management fee expressed as a dollar amount per year or per month
6. _____ The contract between an income property owner and a management firm or individual that outlines the scope of the manager's authority, owner's responsibilities and compensation
7. _____ A property management fee expressed as a percentage of the gross collectible income from a property
8. _____ An individual who designates another as his or her agent
9. _____ A device by which a person or institution transfers legal ownership of property to someone else to hold or manage for the benefit of a third party
10. _____ One who is authorized to act on behalf of the principal on a range of matters and can obligate the principal to any contracts signed by the agent that are within the scope of the agent's duties

Chapter 2: True/False

1. **T** **F** A property manager is usually a special agent.
2. **T** **F** If the principal asks the manager to violate the law, the agent must do so under the fiduciary duty of obedience.
3. **T** **F** A property manager may commingle client funds with the regular office funds.

4. **T F** Most managers will ask for at least a one year management agreement.
5. **T F** The owner and the manager should be named as coinsureds on liability and workers' compensation insurance policies.
6. **T F** Fees charged to owners may be freely discussed by competing property management companies.
7. **T F** Most owners do not wish to be disturbed so annual reporting is generally sufficient.
8. **T F** Banks, colleges and large corporations usually enter into an employer-employee relationship with the property manager.
9. **T F** The management agreement should indicate if the agent is permitted to sign binding leases.
10. **T F** The written agreement between the owner and the agent is called the listing agreement.

Chapter 2: Multiple Choice

1. **The principal-agent relationship in property management is created by**
 - a. management agreement.
 - b. listing agreement.
 - c. employment contract.
 - d. equitable title.
2. **A property manager who is authorized to obligate his/her principal in a contractual manner is a**
 - a. trustee.
 - b. trustor.
 - c. special agent.
 - d. general agent.
3. **The relationship that a property manager who is an agent has with the owner who is a principal is**
 - a. confidential.
 - b. ethical.
 - c. fiduciary.
 - d. power of attorney.
4. **If a property manager were negotiating with a property owner to manage a large property, the term of the management contract should be at least**
 - a. six months.
 - b. three years.
 - c. one year.
 - d. five years.

- 5. Mixing owners funds with personal funds is an illegal activity called**
 - a. redlining.
 - b. commingling.
 - c. steering.
 - d. conversion.

- 6. How are management fees determined?**
 - a. Agreement of participating property managers
 - b. Average of local rates charged
 - c. Set by state law
 - d. Negotiated between the parties

- 7. Which type of fee is a wonderful incentive when the owner wants the manager to generate more income?**
 - a. Per-unit fee
 - b. Flat fee
 - c. Percentage fee
 - d. Cost plus fee

- 8. To insure a smooth takeover of a property, all of the following should be done EXCEPT**
 - a. owner should provide all necessary documents.
 - b. manager should use a takeover checklist.
 - c. manager should personally inspect the entire property.
 - d. offer the tenants an opportunity to terminate their leases.

- 9. Security deposit balances and accounting are an essential part of a property takeover. How should the new property manager handle security deposits?**
 - a. Follow the owner's instructions
 - b. Handle the deposits in the same manner as the previous manager
 - c. Adhere to state laws
 - d. Create a new system

- 10. To maintain an on-going satisfactory relationship with the owner, the manager should**
 - a. send the owner reports only upon written request from the owner.
 - b. send monthly earnings report and a personal letter.
 - c. contact the owner only in an emergency.
 - d. send quarterly written reports and monthly phone calls.