Quiz 10: Liens

1. Which of the following is a lien on real estate?
   a. An easement
   b. A recorded mortgage
   c. An encroachment
   d. A restrictive covenant

2. The current market value of a home is $170,000. For tax purposes, it is assessed at 55 percent of market value. The tax rate is $3 per $100 of assessed value. What is its taxes?
   a. $2,805
   b. $1,425
   c. $5,000
   d. $1,000

3. Under which of the following types of liens can both the real property and the personal property of the debtor be sold to pay the debt?
   a. Real estate tax lien
   b. Mechanic's lien
   c. Judgment lien
   d. Assessment lien

4. When a lien against a parcel of real estate may result from a lawsuit currently before the court, someone examining public records would look for:
   a. the chain of title.
   b. a lis pendens.
   c. a suit to quiet title.
   d. a judgment lien.

5. A mechanic's lien is a(n):
   a. equitable lien.
   b. voluntary lien.
   c. general lien.
   d. specific lien.

6. When properly recorded in the county where the real estate of the defendant is located, a judgment becomes a(n)
   a. voluntary lien.
   b. involuntary lien.
   c. specific lien.
   d. statutory lien.

7. When a company furnishes materials for the construction of a house and is not paid, it may file a(n)
   a. deficiency judgment.
   b. lis pendens.
   c. estoppel certificate.
   d. mechanic's lien.

8. Rudy is involved in a lawsuit. He owns a rental home free and clear. What can a creditor obtain to prevent Rudy from selling the rental home before the lawsuit is settled?
   a. a judgment
   b. a foreclosure notice
   c. a seizure notice
   d. a writ of attachment
9. Which of the following is a voluntary lien?
   a. Mortgage lien  
   b. Estate tax lien  
   c. Real estate tax lien  
   d. Judgment lien

10. The adoption of a budget is the first step in arriving at a (n)
   a. equalization factor  
   b. tax rate  
   c. tax levy  
   d. tax bill

11. A special assessment is a(an):
   a. general lien.  
   b. voluntary lien.  
   c. equitable lien.  
   d. statutory lien.

12. Priority of mechanic's liens is based on
   a. federal law.  
   b. state law.  
   c. common law.  
   d. case law.

13. The current market value of a property is $145,000, and it is assessed at 40 percent
    of its current market value with an equalization factor of 1.50. What is the amount of real
    estate tax due if the tax rate is $4.00 per $100 of assessed value?
    a. $2,600  
    b. $6,000  
    c. $3,480  
    d. approximately $5,000

14. A property owner contracted to have a swimming pool built on her property.
    When the pool was completed, she refused to pay, and the contractor filed a lien for
    nonpayment. This mechanics lien was most likely a:
    a. general lien.  
    b. special lien.  
    c. specific lien.  
    d. voluntary lien.

15. Rick has defaulted on several debts, and the court has ordered his property sold to
    satisfy them. A title search revealed several outstanding liens against the property.
    Which of the following liens has highest priority?
    a. An outstanding first mortgage lien dated and recorded one year ago  
    b. A real estate tax lien for the current year  
    c. A judgment lien rendered and recorded last month  
    d. A mechanic's lien for work started two months before the mortgage was recorded

16. General real estate taxes are also known as
    a. special assessments  
    b. ad valorem taxes  
    c. appropriation funds  
    d. general, voluntary liens
17. Normally, the priority of general liens is determined by
   a. the order in which they are filed or recorded.
   b. the order in which the cause of action arose.
   c. the size of the claim.
   d. the court.

18. All of the following are generally exempt from paying real estate taxes EXCEPT
   a. cities
   b. restaurants
   c. hospitals
   d. schools.

19. If the market value of a property is $204,000 and the assessment ratio is 45 percent, and the tax rate is 25 mills, what are the monthly taxes?
   a. $1,937.25  
c. $161.44
   b. $179.37  
d. $1,614.38

20. Taxes levied on a property owner to pay for installation of sidewalks or sewers are called
   a. ad valorem taxes.
   b. general property taxes.
   c. special excise taxes.
   d. special assessments.

21. The current value of a property is $180,000. The property is assessed at 35 percent of its current value, with an equalization factor of 1.25 applied to the assessed value. If the annual tax rate is $30 per $1,000 of assessed value, what is the annual tax bill?
   a. $3,262.50  
c. approximately $4,000.
   b. $2,362.50  
d. $10,400

22. What is the difference between a general lien and a specific lien?
   a. A general lien cannot be enforced in court, while a specific lien can be enforced.
   b. A specific lien is held by one person, while a general lien is held by at least two persons.
   c. A general lien affects all of a debtor's property, while a specific lien affects only a certain piece of property.
   d. A specific lien covers real estate, while a general lien covers personal property.
Lien Quiz 10 Answer Key

1. b. A recorded mortgage is a lien on real estate. Easements, encroachments, and restrictive covenants are all encumbrances, not liens.

2. a. $170,000 (market value) x 55% (.55) = $93,500 (assessed value); $93,500 divided by 100 = 935 x $3 (tax rate) = $2,805 (annual taxes).

3. c. A judgment is a general, involuntary, equitable lien on both real and personal property owned by the debtor.

4. b. A lis pendens is a notice of a possible future lien and is filed because there is often considerable delay between the time a lawsuit is filed and the time final judgment is rendered.

5. d. A mechanic's lien is a specific lien as it affects a specific property, and only that particular property.

6. b. A judgment is a general, involuntary, equitable lien on both real and personal property owned by the debtor.

7. d. A mechanic's lien gives security to persons or companies that perform labor or furnish material to improve real property, and can be filed when the owner has not fully paid for the work.

8. d. To prevent a debtor from conveying previously unsecured real estate while a court suit is being decided, a creditor may seek a writ of attachment.

9. a. A mortgage loan is created intentionally by the owner’s action and is a voluntary lien.

10. b. The tax rate is computed by dividing monies needed for the fiscal year by totalled assessments of all real estate, and the budget is the first step in this process. The tax bill reflects the tax rate applied to the assessed valuation.

11. d. Special assessments created are both statutory and specific.

12. b. State law will determine the date the priority of a mechanic’s lien may be established, and could be either the date the construction began, or materials were first furnished; the date the work was completed; the date the individual subcontractor’s work was either commenced or completed; the date the contract was signed or work was ordered; or the date that notice of the lien was recorded, filed, posted, or served.

13. c. $145,000 (market value) x 40% (.40) = $58,000 (assessed value); $58,000 x 1.50 = $87,000 (value with equalization factor); $87,000 divided by 100 = 870 x $4 (tax rate) = $3,480 (annual tax)

14. c. The mechanic's lien filed by the contractor would be a specific, involuntary lien on the property.

15. b. Tax liens usually have priority over previously recorded liens.

16. b. General real estate taxes are based on the value of the property being taxed and are known as ad valorem taxes. They are specific, involuntary liens.

17. a. The general rule for priority of liens is “first come, first served”, with the exception of taxes and assessments, which usually take priority over other liens.

18. b. Most state laws exempt property from real estate taxation if used for tax exempt purposes. A for-profit entity typically would not qualify for the exemption.
19. c. $204,000 x 45% (.45) = $91,800 (assessed value); $91,800 divided by 1,000 (1 mill per 1,000) x .25 (25 mills) = $2,295 (annual taxes); $2,295 divided by 12 = $191.25 (monthly taxes).

20. d. Special assessments are taxes levied on real estate to fund public improvements.

21. b. $180,000 x 35% (.35) = $63,000 (assessed value); $63,000 x 1.25 (equalization factor) = $78,750; $78,750 divided by 1,000 = 78.75 x $30 (tax rate) = $2,362.50 (annual taxes).

22. c. A general lien affects all of a debtor's property, both real and personal. A specific lien affects only a particular property.