

 Fit Small Business

Ace Your Real Estate Exam



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Introduction

The real estate exam is the last hurdle on your way to becoming a real estate agent and starting a successful career. It's important to have an understanding of the structure of the exam, a solid knowledge of the real estate topics you'll be tested on, recognize your learning style, and be prepared with test-taking strategies. Our e-book covers this and more so you can arrive at the exam with confidence and pass it on your first try with flying colors.

Before you begin studying, it's best practice to take a pre-assessment test to evaluate your current knowledge, strengths, and weaknesses. By employing this tactic, you'll be able to guide your study methods to improve on those weaknesses and continue growing your strengths. Take the pre-assessment test below to get started and let your results guide you through the rest of the e-book.





CHAPTER 1

Real Estate Exam Pre-Assessment Test



Real Estate Exam Pre-assessment Test

Go through each question and record your answers in the box to the right. Answers and explanations to each question follow the pre-assessment test questions. Good luck!

| QUESTION | ANSWER |
|--|--------|
| <p>1 The contract of sale states that the earnest money deposit is to be placed in an interest-bearing account with any interest earned to be given to the buyer. This is:</p> <ul style="list-style-type: none">A. IllegalB. Not OK, and the broker should resign the listingC. OK, because the buyer and seller have agreed to thisD. Commingling | <hr/> |
| <p>2 Joint tenants with a right of survivorship means:</p> <ul style="list-style-type: none">A. If one owner dies, that owner's family has an interest in the property and can absorb itB. If one owner dies, that owner's interest in the property will pass to the surviving owner or ownersC. If one owner dies, the current other owner must sell their half of the propertyD. Co-owners have unequal interests in a property | <hr/> |
| <p>3 A listing agreement between a principal and broker is a(n)</p> <ul style="list-style-type: none">A. Implied contractB. Breach of contractC. Express contractD. Discharge of contract | <hr/> |
| <p>4 The Federal Housing Administration's (FHA) Section 8 program helps low- and moderate-income people by</p> <ul style="list-style-type: none">A. Paying their mortgage loansB. Insuring their mortgage loansC. Paying the maintenance on a purchased homeD. Paying part of their rent | <hr/> |

- 5 Net operating income is found by
- A. Subtracting yearly operating expenses from effective gross income
 - B. Multiplying effective gross income by the cap rate
 - C. Subtracting market income from the appraiser's estimate of potential gross income
 - D. Dividing effective gross income by the cap rate
- 6 Agent X just received a salesperson's license and has joined a firm. They will MOST likely be hired for tax purposes as a(n)
- A. Associate broker
 - B. Associate broker
 - C. Independent contractor
 - D. Realtor
- 7 A house sells for \$215,000. The total commission rate is 6%, of which the listing office receives 2.5% and the selling office 3.5%. Agent X, the selling agent, receives a 60% split of the commission. How much will Agent X earn as commission dollars?
- A. \$7,525
 - B. \$4,515
 - C. \$5,375
 - D. \$3,225
- 8 Which statement about Veterans Affairs (VA) mortgages is FALSE?
- A. It does not have minimum property requirements
 - B. It does not require mortgage insurance
 - C. It does not require a down payment
 - D. It does not have a maximum debt ratio
- 9 If a buyer is interested in a house and submits her mortgage application, within three days, the mortgage broker should provide the buyer with a/an:
- A. Loan estimate and closing disclosure
 - B. Self-disclosure agreement
 - C. Option contract and buyer representation agreement
 - D. Checklist of documents and information necessary to fulfill the loan

10 If a buyer's earnest money check is returned for insufficient funds after being deposited into the broker's trust account, the broker should:

- A. Resign the agency
- B. Cover the bad check personally
- C. Tell the seller or cooperating broker that the check bounced
- D. File a police report

11 Which option best describes an exclusive right to sell listing?

- A. The listing agent will be paid a commission only if he/she procures the buyer
- B. The agent who procures the buyer will be compensated
- C. The listing agent only receives commission if the property sells for a certain amount
- D. The listing agent will be paid the commission no matter who procures the buyer

12 A neighbor's right to utilize a portion of your driveway to gain access to their property is an example of what?

- A. Covenant
- B. Condemnation
- C. Easement
- D. Dominant estate

13 Which of the following would be an example of a deed restriction?

- A. Closing date time frame
- B. House color
- C. Tax rate
- D. Loan type

14 When a furnishing company creates materials for the construction of a house and is subsequently not paid, it may file a(n):

- A. Bank lien
- B. Financial lien
- C. Furnishing lien
- D. Mechanic's lien

15 The metes and bounds of a property can be found in what clause in a deed?

- A. Demising
- B. Defense
- C. Description
- D. Habendum

16 The commission rate payable to an agent for the sale of a house is determined by

- A. The brokerage the agent is affiliated with
- B. The agent and seller
- C. The real estate commission
- D. The buyer

17 A parcel of land is 95 feet by 80 feet and the seller is asking \$98 per square foot. What is the asking price?

- A. \$912,568
- B. \$836,509
- C. \$827,904
- D. \$744,800

18 What does bundle of rights in property law refer to?

- A. The riparian rights an owner has
- B. The rights of quiet enjoyment
- C. The unencumbered rights to a property
- D. The collection of rights a property owner has to a property

19 Which clause allows the entire loan balance due if a borrower defaults on a payment?

- A. Payment default clause
- B. Escalation clause
- C. Prepayment penalty clause
- D. Acceleration clause

20 If a buyer is renovating a property he purchased several months ago and realizes that there is damage on the roof that was not evident at the time of the inspection or disclosed on the disclosure statement, which of the following conditions applies?

- A. The buyer is not responsible for the latent defect
- B. The seller can be sued by the buyer for cost of damages
- C. The seller is not responsible for the latent defect
- D. The buyer must report the damage to the agent of the seller

21 In which of the following situations would a percentage lease be most commonly used?

- A. Government-owned properties
- B. Shopping centers
- C. Townhouses
- D. Apartments

22 The Smiths sold their house and will close on July 1. The Smiths already paid taxes in January for the full year. What will occur at closing?

- A. The Smiths will owe the buyers half of the tax due
- B. The buyers will owe the Smiths the unused tax for the balance of the year
- C. The Smiths will owe the buyers the tax due
- D. Nothing will happen

23 What does loan-to-value ratio (LTV) mean?

- A. It's the outstanding mortgage balance to the current value of a home
- B. It's the appraised value of a home
- C. It's the loan balance against a home
- D. It's the loan amount a bank is willing to lend to a borrower based a borrower's income

24 What is the name for a contract that legally binds two or more parties together and that creates a legally binding contract between the buyer and the seller?

- A. Purchase agreement
- B. Equity agreement
- C. Disclosure agreement
- D. Closing agreement

25 Personal property that is attached to real property is called:

- A. Appliances
- B. A fixture
- C. Material
- D. Emblement

26 What is the law that states that contracts for the sale of real estate or an interest in real estate are unenforceable unless they are in writing and signed by the parties?

- A. Statute of Estoppel
- B. Statute of Limitations
- C. Statute of Frauds
- D. Statute of Real Estate

Test Answers & Explanations

Check your answers against the correct answers below, marking how many questions you got correct and incorrect. For the questions you got incorrect, make sure to read the explanation for each answer so you gain the knowledge for next time. Then, count the answers you got correct to determine your score in the results section below. This will help guide you through the e-book with a focus on items you need to work on.

| ANSWER | EXPLANATION |
|--------|---|
| 1 C | The law requires that a broker has a separate non-interest-bearing trust bank account to receive client funds, but does not require interest earned be distributed in a particular way. The broker is an agent and should carry out the client's instructions completely as long as they are legal and both parties agree. |
| 2 B | Joint tenancy is one of the ways multiple people can share interest in a single property. If two individuals share ownership of a property and one person dies, their portion of ownership is given to the other owner. |
| 3 C | A listing agreement is an express contract between the principal and broker that names the broker as fiduciary representative of the principal. |
| 4 D | FHA's Section 8 program helps low- and moderate-income people by paying part of their rent. |
| 5 A | The gross income is the amount of money you have prior to deductions from taxes and other expenses. The net income is how much you have after those expenses are deducted. |
| 6 C | Real estate firms typically treat their agents as independent contractors, which allows them to avoid the bookkeeping of withholding taxes, Social Security payments, unemployment insurance, etc. |
| 7 B | Since you are being asked to solve for how much the seller's agent will be earning, you can ignore the listing office percentage (2.5%). Start with the total sale amount of \$215,000. The selling office's commission is 3.5%, so multiply the total sales amount by 3.5% ($\$215,000 \times .035$). The total gross commission before Agent X gets their split is \$7,525. To find out Agent X's split, multiply the total gross commission by 60% ($\$7,525 \times .6$). This comes to \$4,515, which is Agent X's earned commission from the sale. |

| | | |
|----|---|---|
| 8 | A | A VA mortgage does have minimum property requirements in order to ensure the veteran-buyer the property is safe, sanitary, and sound. |
| 9 | A | According to rules and regulations set by the Real Estate Settlement Procedures Act (RESPA), mortgage brokers are required to provide these documents to buyers within three days. |
| 10 | C | The broker should inform the cooperating broker/seller immediately if there are insufficient funds. Licensees should be honest, protect the public, and disclose material facts concerning a transaction. |
| 11 | D | When a principal signs an exclusive right to sell listing with a broker, the principal will pay the broker a commission even if the principal or another agent procures the buyer. |
| 12 | C | There are many types of easements in real estate between public and private landowners. Generally, an easement gives someone the right to cross land for a specific purpose. |
| 13 | B | A deed-restricted community is a group of homes enforced by rules set forth by a homeowners association. These rules can regulate what a home looks like (e.g., house color), but cannot dictate taxes or rules specific to purchasing the home. |
| 14 | D | A mechanic's lien is a legal guarantee to pay contractors and builders for renovations or building a property. |
| 15 | C | The metes and bounds of a property provides a legal description of real estate that will be accepted in a court of law and can be found in the description clause of a deed. |
| 16 | B | The buyer typically does not pay any agent's commission for the purchase of the home – that responsibility falls on the seller. The seller and agent are responsible for negotiating the commission rate for the sale of the property. |
| 17 | D | To calculate the asking price, multiply the lot dimensions to get the total square footage of the property: 95 feet x 80 feet= 7,600 square feet. Multiply the total square footage by the asking price per square foot (7,600 square feet x \$98 = \$744,800) to get the asking price. |

| | | |
|----|---|--|
| 18 | D | When a person purchases a property, they legally have a bundle of rights that includes possession, exclusion, derivation of income, disposition, and control. |
| 19 | D | An acceleration clause stipulates that the borrower has to pay off a loan under certain conditions. For instance, the terms of a loan could state that the remaining balance of the loan must be paid if one payment is missed. If a borrower defaults after the fifth loan payment, they will be required to pay the remaining balance. |
| 20 | C | If damage to a property is not noted on an inspection report and was not known to the seller, then it is the responsibility of the buyer. On the other hand, if a seller was aware of damage and did not disclose the defect to the buyer, this could be grounds for compensation. |
| 21 | B | Percentage leases are seen in commercial property leases because they are when a tenant pays a base rent plus the percentage of revenue earned from the business. This would apply to shopping centers that house commercial businesses. |
| 22 | B | At closing, the Smiths will be reimbursed for six months' worth of taxes from the buyers. |
| 23 | A | LTV is used by lenders to determine the risks of lending money to a buyer. |
| 24 | A | The purchase agreement outlines the terms and conditions of a home purchase, such as the financing, possession date, contingencies, and more. |
| 25 | B | Items that are attached to real property and cannot be removed without damaging the real property are known as fixtures. Unless a fixture is specifically excluded from the sale, it will stay with the purchase of the home, e.g., ceiling fans, lights fixtures, toilets, and built-in cabinets. |
| 26 | C | All documents for sale or purchase of real estate need to be in writing and signed by all parties in order to be enforceable. The Statute of Frauds prevents enforcing of contracts that were never signed, like verbal contracts. |

Score Results

For those scoring 0-50% on the test (1-13 questions correct)

Based on your test score, it looks like you still have some studying to do before taking your real estate exam. [Start at the beginning](#) so you have an understanding of the test format and structure, and then continue reading through the e-book for more information about the real estate exam and studying tips and tricks.

For those scoring 51-79% on the test (14-20 questions correct)

Based on your test score, it looks like you're almost ready to take your real estate exam. Start with reviewing the [topics that are on the real estate exam](#) followed by the 10 study tips and tricks to gain some more confidence. Then, test your luck with the [real estate flashcards](#) at the end of this e-book.

For those scoring 80-100% on the test (21-26 questions correct)

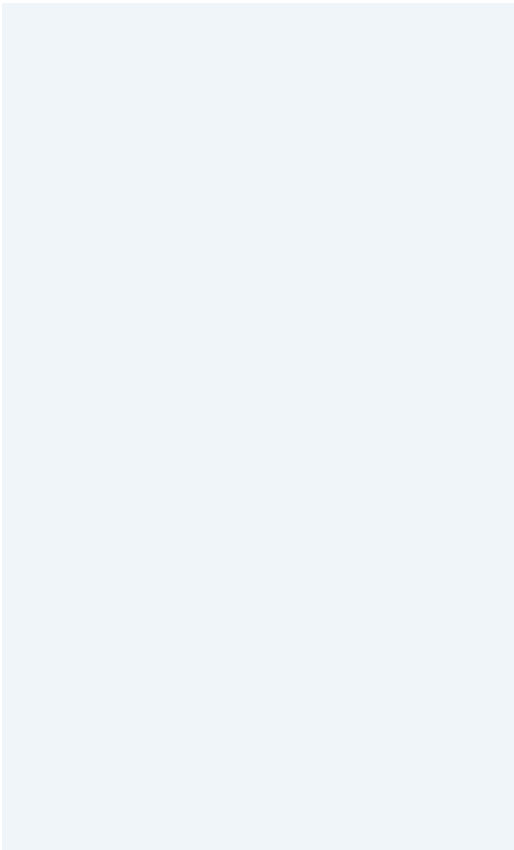
Based on your test score, you are ready to ace your real estate license exam! To make sure you know the proper paperwork and steps to take after passing your exam, visit [How to Get a Real Estate License](#), choose your state, and review the step-by-step instructions to complete your license.

Then read through our guides on [How to Choose a Real Estate Company to Work For \(+ Evaluation Rubric\)](#) and [24 Critical Questions to Ask a Broker in a Real Estate Interview](#) to learn about how to find and secure a role at a sponsoring brokerage that's a great fit for you.



CHAPTER 2

What You Need to Know About the Real Estate Exam Structure

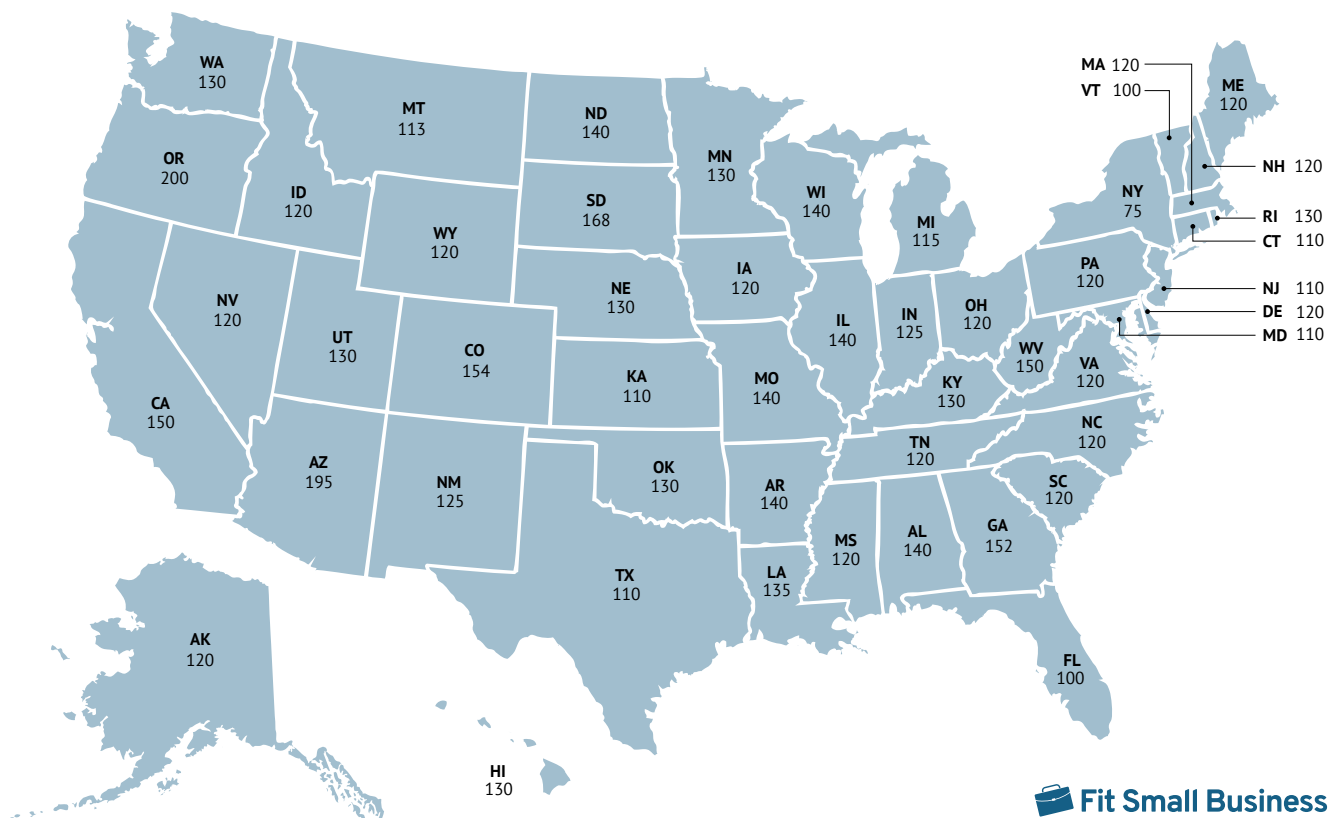


Key Takeaways

- All exams contain multiple-choice test questions
- Know the number of questions and allotted testing time for your state's exam
- Pass both the national and state portions of the exam
- Test is administered on the computer, unless otherwise requested by the test-taker

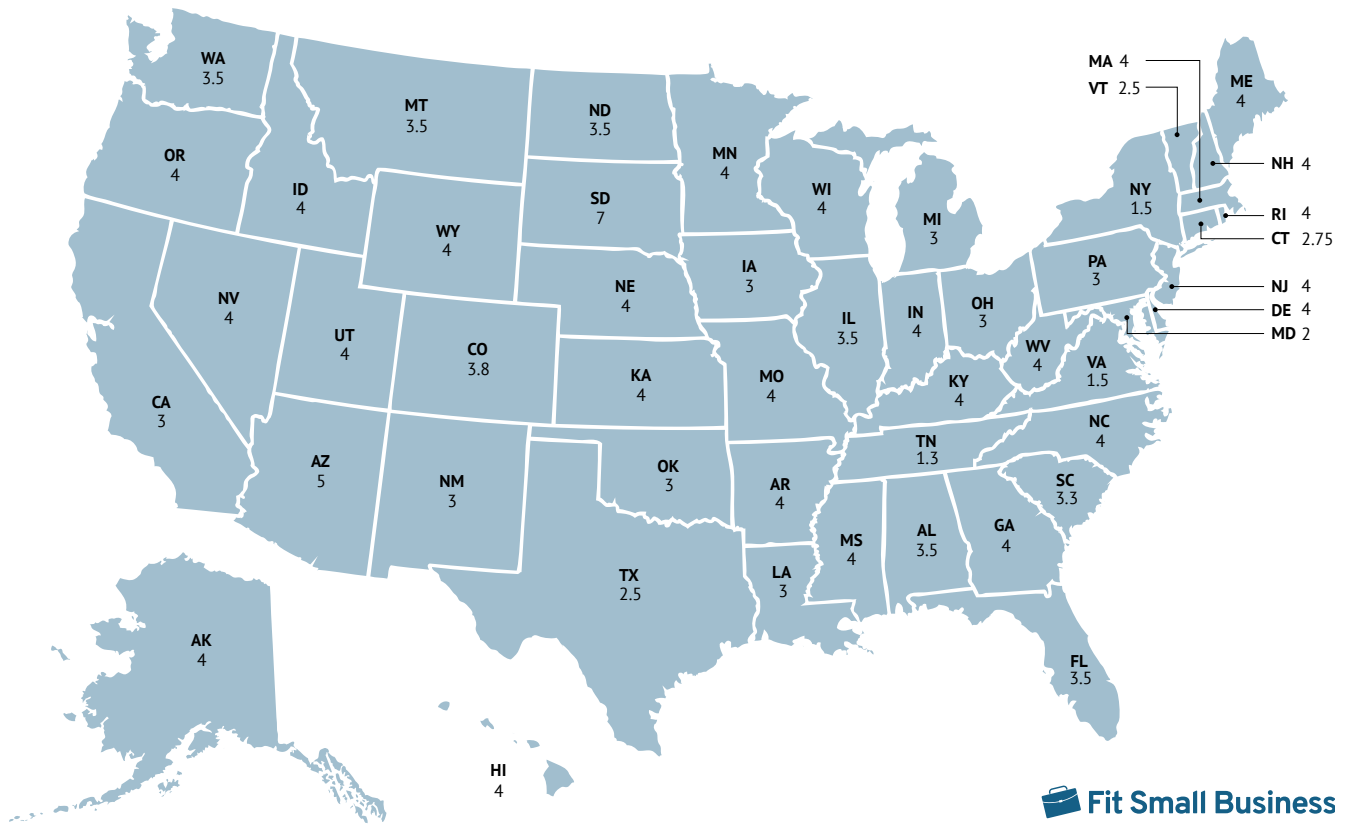
You need to know the structure of the real estate exam in order to plan your study time and test-taking strategies. While all states use multiple-choice questions as their exam format, there are differences in the number of questions and the amount of time allotted to complete the exam. For instance, the New York real estate exam consists of 75 questions to be completed within 90 minutes, and the Oregon exam has 200 questions to be completed in four hours. Here is a breakdown of the number of questions and exam time for each state:

Number of Exam Questions per State



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Length of Exam per State (in Hours)

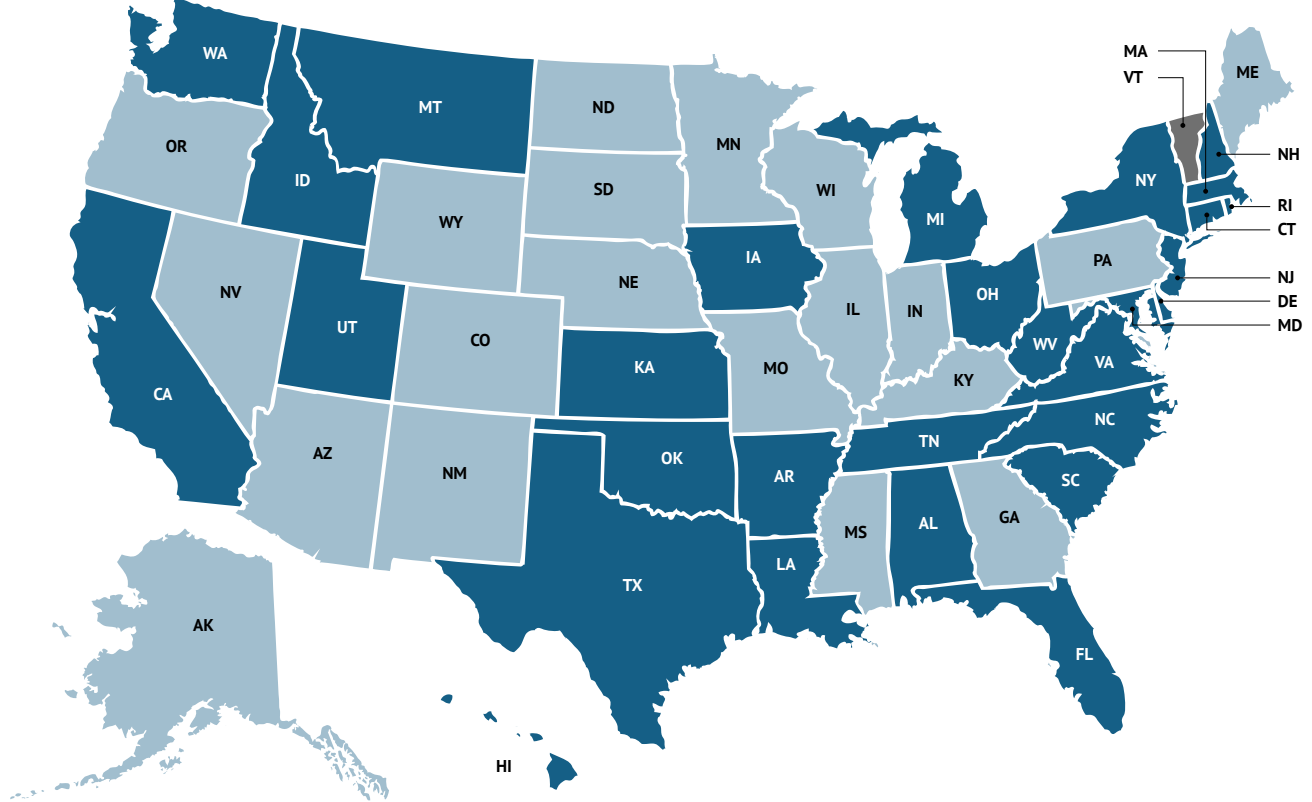


In addition, even though the exam is administered in one sitting, you must pass both a national and state portion in order to get your real estate license. For example, Colorado has 154 questions on the exam, 80 of which are nationally focused and 74 that are state-focused. These figures play directly into the passing rate of the exam and the test-taking strategies you need to employ.

Most often a passing exam score is either 70% or 75%. Using the example above, in order to pass the Colorado exam with the mandated 75%, you must get at least 60 of the 80 national questions correct and 56 out of 74 state-focused questions correct, or 116 questions correct in total. This means you do not have to answer all 174 questions correctly to get your license, which you can work into your test-taking strategies.

Passing Exam Score per State

■ Score of 70% ■ Score of 75% ■ Other*



MCP Score*

Vermont

*Each question is averaged to determine a minimum passing score that demonstrates the amount of knowledge a minimally competent practitioner (MCP) should have to operate as a real estate professional

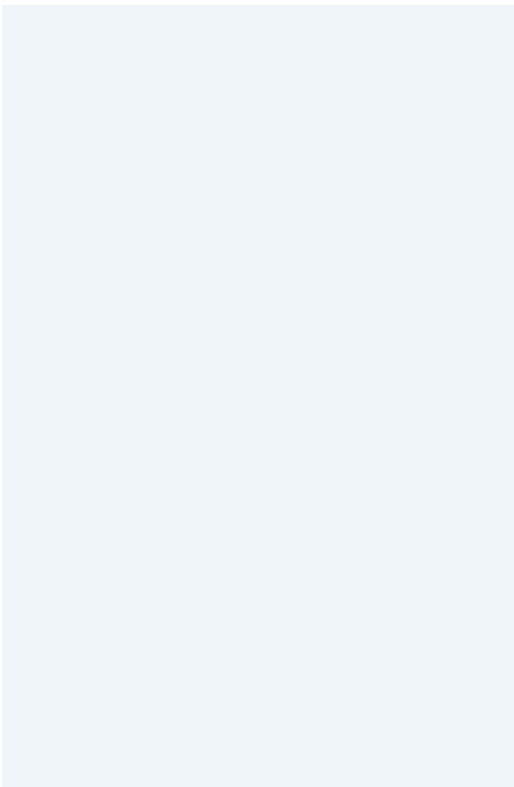


The majority of states administer the exam on a computer at a designated testing location. However, if testers prefer to take the exam on paper, many states will allow that alternative. With the exception of New York and California, which administer exams through their state department, all other state exams are provided by national licensing exam providers [Pearson VUE](#) or [PSI](#).



CHAPTER 3

What Real Estate Exam Topics You Need to Know to Pass the Exam



Key Takeaways

- Learn the topics covered on the exam
- Research your state's Real Estate Candidate Handbook
- Take practice tests to focus your study

Now that you know the structure of the exam, you also need to know what topics are on the exam so you know what to study. Your prelicensing coursework should have covered all of the real estate topics that you'll be tested on. The subject areas for the national portion are the same in every state, but content areas in the state portion are unique from state to state. In general, the state portion of the exam will include questions about state-specific laws, regulations, and the practice of real estate within the state.

Here are some of the most commonly tested categories:

- **Property ownership and land use controls and regulations:** This section typically covers classes and characteristics of property, how to describe property, encumbrances, and government rights in land (e.g., eminent domain).
- **Laws of agency and fiduciary duties:** The exam touches on subjects like how to create and terminate an agency relationship, responsibilities an agent owes to a buyer or seller, and necessary disclosures.
- **Property valuation and financial analysis:** Exam centers generally provide a basic calculator to assist with questions on how to estimate home value and conduct financial analyses.
- **Financing:** Test-takers should understand types of loans, financing and credit laws, and financing documents like mortgages and notes.
- **Transfer of property:** Important property transfer concepts include title insurance, deeds, escrow, and tax implications and requirements.
- **Practice of real estate and disclosures:** Aspiring agents should understand elements of real estate practice, such as truth in advertising, fair housing, ethics, property management, and disclosure statements.
- **Contracts:** The contract law covered on the real estate exam generally includes documents like listing agreements, offers and purchase contracts, promissory notes, and purchase and lease options.
- **Real estate calculations:** This section tests candidates on specific calculations that are commonly used in real estate, like formulas for commission, area, simple interest, and property tax.

The trick to knowing exactly what categories will appear on your real estate exam is to look at your state's Real Estate Candidate Handbook. They are distributed by the exam provider, typically Pearson VUE or PSI, and break down the exam by category and the number of questions per category. For example, the [South Dakota Real Estate Candidate Handbook](#) shows the following:

| National Multiple-Choice Portion | |
|--------------------------------------|---------------------|
| Topic | Number of Questions |
| 1. Property Ownership | 8 |
| 2. Land Use Controls and Regulations | 5 |
| 3. Valuation and Market Analysis | 7 |
| 4. Financing | 10 |
| 5. General Principles of Agency | 13 |
| 6. Property Disclosures | 6 |
| 7. Contracts | 17 |
| 8. Leasing and Property Management | 3 |
| 9. Transfer of Title | 8 |
| 10. Practice of Real Estate | 13 |
| 11. Real Estate Calculations | 10 |
| TOTAL | 100 |

| State Multiple-Choice Content Outline | |
|---|---------------------|
| Topic | Number of Questions |
| 1. Duties and Powers of the Real Estate Commission | 4 |
| 2. Licensing Requirements | 6 |
| 3. Statutory Requirements Governing the Activities of Licensees | 42 |



To find your Real Estate Candidate Handbook, visit [How to Get a Real Estate License in Every State](#), click on your state, and scroll to “Schedule Your Exam.”

This information, coupled with practice exams, help to identify your strengths and weaknesses so you can focus your study efforts on improving problem areas. Take a practice exam, like the one included above, before you begin studying and review the answers to gauge the topics you need the most help with. Then, when you are studying, include more review questions about that topic to improve on your problem areas.



CHAPTER 4


Ways to Study for the Real Estate Exam



Key Takeaways

- Understand how you learn and study best
- Base your study plan around your learning type

How you learn best will determine the most effective ways to study for the real estate exam. Decide what type of learner you are and then strategize your study plan around that style. Here are the four most common learning types:

| | | | |
|---|--|---|---|
|  <p>Visual Learn by Seeing</p> <ul style="list-style-type: none"> • Charts • Graphs • Graphic organizers • Lesson outlines • Picture aids • PowerPoints |  <p>Auditory Learn by Hearing</p> <ul style="list-style-type: none"> • Read-alouds • Listening centers • Verbal instructions • Discussions • Repeat to a friend |  <p>Read/Write Learn by Reading & Writing</p> <ul style="list-style-type: none"> • Books and texts • Dictionaries • Note-taking |  <p>Kinesthetic Learn by Doing</p> <ul style="list-style-type: none"> • Incorporate body movement • Tactile-touch, feel • Hands-on |
|---|--|---|---|

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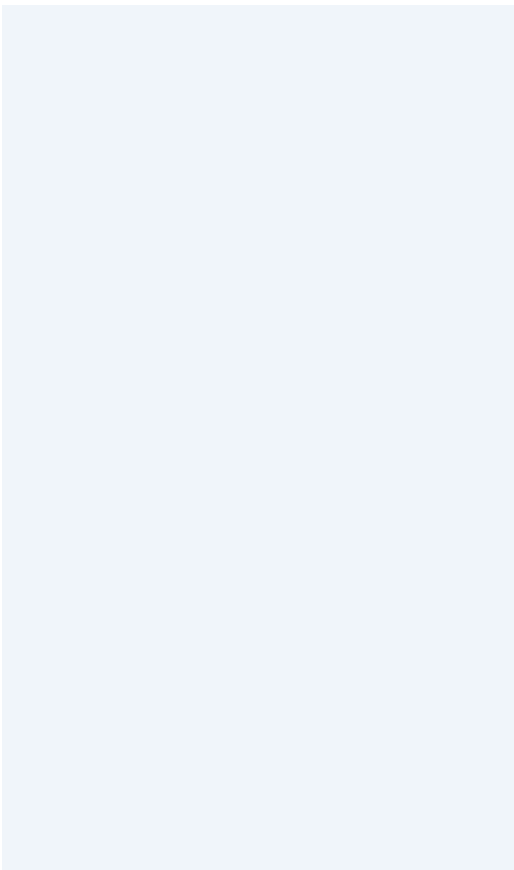
Once you know your learning style, pick a method to study that will capitalize on your strengths. Studying can be completed on your own or by using a real estate exam prep course. Regardless of which you choose, make sure the preparation includes elements such as:

- **Lectures:** Many real estate exam prep options include educational lectures covering frequently tested subject areas. These vary by state, so it's important to choose a company that offers content for your state.
- **Study materials:** Choose a prep course that offers study materials or make your own study materials in a format that works best for you. Common study materials include real estate flashcards, review videos, and games such as crossword puzzles.
- **Practice questions and exams:** To prepare for the real estate exam, you should answer as many practice questions as possible. Again, choose a test prep course that includes both national and state-specific practice questions and exams.
- **Online community:** Preparing for the real estate exam can be a stressful and confusing process, so some prep courses provide access to online forums, private Facebook groups, and other exam prep communities where you can get feedback from other test-takers.



CHAPTER 5

10 Study Tips & Tricks to Help You Pass the Real Estate Exam



Key Takeaways

- Review study tips and make note of tricks that can help you succeed
- Practice the trick while studying so you can apply it on exam day

1. Take Notes on Paper

When people type their notes, they have a tendency to write down what the lecturer says verbatim, which doesn't require as much thought. In contrast, people who handwrite notes from their real estate education courses must think about the content, note what's most important, and rewrite it in their own words.

If you strongly prefer to review notes on a computer, consider re-typing your notes in outline form or writing them on paper after the lecture or online lesson is completed. Then, study your notes and create flashcards to further solidify the concepts.

2. Schedule Short Periods of Focused Study

One way to trick yourself and prevent procrastination is by using the [Pomodoro technique](#). Set a timer, study for 25 minutes, then take a five-minute break. During study time, cut out all possible distractions and focus entirely on studying. During the five-minute break, reward yourself with ice cream, a YouTube video, or a short walk. You should also take one long break after working for more than a few hours.

3. Study a Little Bit Everyday

The reality is that most students of all ages and industries “cram” for tests, but there are many studies done over hundreds of years that prove the ineffectiveness of cramming. In fact, “the spacing effect” is the scientific term used to describe the opposite of cramming, which is studying something over time.

If you are truly seeking the best way to study for the real estate exam, make a goal to study a little bit every day. Even short study periods after each real estate class will ultimately be more impactful for your memory than an all-nighter before the exam. It's even better to set aside an hour or so each day to read materials or practice with your study tools.

4. Make Real Estate Exam Flashcards

Another scientifically proven way to prepare for the real estate exam is by using flashcards. Part of the reason flashcards work so well is because they force you to remember information outside the context of a multiple-choice question – without the ability to eliminate answers that are obviously incorrect. What’s more, real estate flashcards can be portable or digital, so you can study anywhere and at any time.

In fact, we have created 50 real estate flashcards for you to use while you study for the real estate exam. See them attached at the [end of this e-book](#) or visit our article [50 Free Real Estate Flashcards for Exam Prep \(+ Video, Free Download & Tips\)](#) to download them directly to your computer or mobile device.

5. Read Out Loud to Improve Memory

Another physical activity that will help your memory is reading information aloud. It’s called the “production effect,” and science has shown that speaking aloud and simultaneously hearing yourself helps your brain store the information in long-term memory.

Use this real estate test tip on the terms or concepts you’re having a particularly hard time remembering, like encumbrance, liens, or easement. If you’re having difficulty remembering concepts for your real estate exam, recruit a friend or family member to listen to you review and explain terms and concepts aloud.

6. Take a Walk Before Your Real Estate Exam

Many scientific studies have proven a clear relationship between physical exercise and improving memory. While you study and prepare for the real estate exam, make it a priority to take exercise breaks by taking a walk or going to the gym. In addition, plan ahead for test day. Before sitting down for the exam, take a quick stroll to clear your mind, increase focus, and improve your performance.

7. Use Mnemonic Devices to Make Memorizing Easier

A mnemonic device is a memory technique that uses shortcuts to recall complex information, like “ROY G BIV” for the colors of the rainbow. There are already a few popular mnemonic devices for real estate exam topics, like H.E.A.R.S., which covers the area of implied covenants. However, creating your own mnemonic devices can make it easier for you to remember study materials.

Here are a few clever mnemonics teaching you how to pass a real estate exam:

Implied Covenants

Mnemonic device:

Even if a lease is silent on the topic, the landlord H.E.A.R.S. these five implied covenants:

- H** Habitability
- E** Quiet enjoyment
- A** Assignability of the lease
- R** Good repair (this covenant is made by commercial landlords)
- S** Minimal security precautions

Extinguishing an Easement

Mnemonic device:

To remember the necessary steps to extinguish an easement, use A.C.R.A.M.:

- A** Abandonment
- C** Condemnation by state's exercise of eminent domain
- R** Signed writing, releasing the easement
- A** Adverse possession of a servient estate in a hostile manner, preventing use of the easement
- M** Merger by common ownership of all (100%) dominant and servient estates, because one can't possess an easement, covenant, or profit on their own property

Negative Easement

Mnemonic device:

Remember L.A.W.S. to memorize four types of negative easements:

- L** Light easements
- A** Easements of air
- W** Easements regarding water use
- S** Easements of support

8. Remove Distractions

When you're studying for the real estate exam, you shouldn't try to focus on anything else. For example, some people study with distractions like cell phones, TVs, and other electronics, but this actually leads to poor retention, greater frustration, and brain drain. Instead, it's much more efficient to focus on the real estate material for a short time without any devices or distractions, then reward yourself with the electronics afterward.

9. Study With Friends

If you have friends or colleagues taking the exam at the same time, form a study group so you can share notes, trade mnemonic devices, and help each other work through complex concepts. If you don't already know of others studying for the same exam, consider joining online forums or study groups where you can collaborate and get real estate test help.

10. Master Exam Day Best Practices

If you've spent a few weeks or months studying regularly, using study tools and actively improving your memory and understanding, you should be confident about your ability to pass the real estate exam. However, taking an important exam can be stressful no matter how well you've studied, so there are a few test day practices to remember.

To stay calm and focused during the test, follow these suggestions:

- **Relax:** If you start feeling anxious during the test, pause to take a deep breath or a sip of water. Calm your nerves by reminding yourself that it will be over soon, and you will be a licensed real estate agent.
- **Skip difficult questions:** If you don't know the answer to a question, temporarily skip it and come back to it later. Linger over difficult questions eats up valuable test-taking time and mental energy, so save the hardest questions for last.
- **Use the process of elimination:** Get rid of answers that you know are wrong and then take your best guess as to which remaining answer is correct.
- **Don't change your answers:** Once you've answered a question, don't go back to change your answer. Studies have shown that you're far more likely to change a right answer to a wrong answer than vice versa.

CHAPTER 6

Real Estate Flashcards

50 Real Estate Flashcards

FRONT

Can a property owner block an easement?

BACK

No. A property owner cannot block or restrict access to the property easement because these places are used by public utility companies and community organizations.

FRONT

What is a mutual recognition agreement?

BACK

A **mutual recognition agreement**—sometimes called **reciprocity**—provides a real estate agent with the ability to represent buyers/sellers in two states. Both states recognize the licensing education credentials.

FRONT

What are the three physical characteristics of real estate?

BACK

The three physical characteristics of real estate are **immobility, indestructibility, and uniqueness.**

FRONT

What does DUST stand for in real estate?

BACK

DUST is the acronym for the four economic characteristics in real estate. It stands for **Demand, Utility, Scarcity, and Transferability.**

FRONT

Is an old department store converted into shopping space on the first floor and apartments on the second floor an example of non-conforming use?

BACK

Yes. When a space is approved by the zoning commission and used in a way that changes the zoning without a new application, it is an example of a non-conforming use.

FRONT

Does the percolation test prove the quality of air for a community?

BACK

No. The percolation test looks at the water runoff in an area to see if it is fit for a septic system for residential or commercial properties.

FRONT

What does PETE stand for in real estate?

BACK

PETE stands for **Police power, Eminent domain, Taxation, Escheat** (dying without an heir). These are the rights of the government over the individual regarding property ownership.

FRONT

What is a life estate?

BACK

A **life estate** is property only under the ownership of a person during their lifetime. After death, the property automatically reverts back to the original owner and is not a part of their estate. One example might be someone who gives their mother a home to live in for her life, but the home reverts to original ownership upon her death.

FRONT

What is a period-to-period lease?

BACK

A **period-to-period lease**, or **periodic tenancy**, means that the lease on a property automatically renews for as long as the rent is paid and the owner does not change the lease contract.

FRONT

What does estate at sufferance mean?

BACK

Estate at sufferance means that someone has failed to vacate a piece of property after the expiration of the lease or default on the mortgage. The person is living at a property without the consent of the owner.

FRONT

What is Megan's Law?

BACK

Megan's Law deals with sexual predator disclosures in a location. If a buyer asks about sexual predators in a neighborhood, the agent should tell them to visit the Sex Offender Registry website to find out if there are known offenders in the neighborhood.

FRONT

What level of government regulates the zoning laws for an area?

BACK

The **local government** has the power to regulate area zoning laws to meet the needs of their community. There are no national or statewide zoning ordinances allowed in real estate.

FRONT

What are the two ways that the government can take privately held land or real estate?

BACK

Eminent domain and **escheat**. Eminent domain is the process of taking land for the use and good of the community, such as expanding a highway. Escheat happens when the government takes a property after the owner has died without heirs.

FRONT

How does the Americans with Disabilities Act (ADA) impact housing?

BACK

The **ADA** requires physical access to housing for those with disabilities and requires equal opportunities for housing for those with disabilities or handicaps.

FRONT

Does a property owner have the right to dispose of (sell) a property?

BACK

Yes. The property owner is the only person who can legally sell property.

FRONT

Can a property owner block off a stream at the cost of other owners?

BACK

Yes. The doctrine of prior appropriation says that the first person to divert water from a stream for their own use has the right to do so—even at the cost of other owners.

FRONT

What is the Federal Fair Housing Act (1968)?

BACK

The **Federal Fair Housing Act** requires that all individuals be treated the same when buying or leasing property. The seller or agent cannot discriminate based on race, religion, sex, or origin.

FRONT

How is an offer legally terminated?

BACK

An offer can be terminated by **failure to meet the due date, rejection by the seller, withdrawal by the buyer, or ruling by law.**

FRONT

What does the statute of frauds require to be enforceable?

BACK

The **statute of frauds** requires that the contract is in writing—not verbal—to be legally enforceable in court.

FRONT

What are subsurface rights for real estate?

BACK

Subsurface rights are any benefits from below land owned by an individual, like minerals, oil, gas, and water.

FRONT

What is a Competitive Market Analysis (CMA)?

BACK

A **full report that the real estate agent gives about the market to a potential buyer or seller** indicating a property's value based on factors like community sales and quality of area homes. The agent must only represent the CMA as their educated opinion—not an appraisal.

FRONT

What is Agreement of Purchase/Sale?

BACK

The **sales price** of a property agreed upon by the buyer and owner of the property.

FRONT

What is ARV?

BACK

After-Repair Value—what the property is worth when all repairs are made by the seller.

FRONT

What is a Balloon Mortgage?

BACK

Typically a **short-term mortgage with no or interest-only payments**, requiring the carrier of the loan to pay off the entire mortgage in full at the end of the agreed-upon term.

FRONT

What is an Earnest Money Deposit?

BACK

The **amount of money a buyer offers the seller to assure they have an interest in completing a purchase**. This is separate from a downpayment, but is often folded into the downpayment when the sale is finalized.

FRONT

What is a Contingency?

BACK

Contingency is a legal statement declaring that a certain number of requirements must be met by the buyer or seller before the sales contract can be finalized.

FRONT

What is Real Property?

BACK

Real Property comprehensively refers to a physical property—including elements such as buildings, land, and property fixtures—as well as the rights of ownership.

FRONT

What is a Fixture?

BACK

Anything permanently attached to a property, like a well, patio, or shed on the land.

FRONT

What is Hereditament?

BACK

Hereditament is the land and property that passes from family member to family member through inheritance.

FRONT

What is Stigmatized Property?

BACK

A property where an unfavorable event—like a suicide or murder—happened. This negatively affects the ability of the seller to find a buyer.

FRONT

What is RESPA and what is its purpose in real estate?

BACK

RESPA—**Real Estate Settlement Procedures Act**—focuses on disclosing how much interest a mortgage will cost over time and what the total payback amount will be over the life of the loan.

FRONT

Can one agent represent both the buyer and the seller?

BACK

No. However, one broker can represent the buyer and seller with different agents—or dual agents—in their office.

FRONT

How do Veterans Affairs (VA) entitlements protect the lender?

BACK

VA entitlements are the protected amount of money promised to the lender if the person approved for the mortgage defaults on the loan.

FRONT

How is Loan-to-Value (LTV) calculated for a property?

BACK

The **loan amount is divided by the price of the sale or appraisal value** (whichever is lower) to get the amount of the LTV.

FRONT

Are closing costs included in the purchase price?

BACK

No. Closing costs are additional fees for services like deed recording and appraisal of the property necessary to make the sale legal.

FRONT

What are points?

BACK

Points are the **fees paid directly to a lender** at closing in exchange for a reduced interest rate.

FRONT

When is ad valorem collected?

BACK

Ad valorem is the sales tax due when the transaction or purchase of a home takes place.

FRONT

Why is usury against the law?

BACK

Usury is the unfair practice of overcharging interest rates. If the average market interest rate is 14% and the lender is offering 30%, then this would be an example of usury.

FRONT

What are REITs in real estate?

BACK

Real Estate Investment Trusts—or **REITs**—are joint property investments by individuals and groups. Each investing entity contributes a set amount then receives a proportional return when the property sells.

FRONT

How do you calculate NOI?

BACK

Net Operating Income (NOI) includes all property revenue (from rentals, for example) after considering the total losses and expenditures required to fix or maintain the property.

FRONT

True/False: Agents are prohibited by law from making a referral for companies that do home appraisals.

BACK

True. Home appraisal is independent of the agent and the agent cannot suggest a certain company be used for the process.

FRONT

True/False: The Ethics Code is based on the motto, "Let the buyer beware."

BACK

False. All real estate ethics codes are based on the motto, "Let the public be served," meaning that the agent must do what serves the client first.

FRONT

True/False: A real estate agent is free to take any client.

BACK

False. If your client is already signed or showing with another buyer/seller agent, then you cannot take the client or the listing until the contract is expired.

FRONT

True/False: Virtually staging homes or editing pictures is acceptable as long as you disclose the edits openly.

BACK

True. Any time that images or videos are edited to include things that the client will not see upon visiting the property, the agent should disclose their edits to prospective buyers.

FRONT

True/False: It is acceptable to steer a client toward a neighborhood or area that fits them best.

BACK

False. While in most states, this remains an ill-advised, unethical practice, it is actually illegal in California.

FRONT

True/False: You can show a property to buyers even if there are offers on the table with the seller.

BACK

True. You can show these properties to potential buyers, but you should let the client know that the seller has offers and might complete a sale.

FRONT

True/False: You should focus on showing high commission properties and not low commission properties to increase your income.

BACK

False. If you sign with a seller to show their property, then the ethical thing to do is to show their home regardless of commission structure.

FRONT

True/False: Agents can represent family members as long as they disclose their relationship to the buyer/seller.

BACK

True. Article 5 of the National Association of Realtors (NAR) Code of Ethics states that real estate agents must disclose their connection to family members to any buyers/sellers.

FRONT

True/False: You can keep all client money in one escrow as long as you keep the entries separate and clear.

BACK

False. According to Article 8 of the Ethics Code, every client should have their own escrow account separate of other clients.

FRONT

True/False: You can share the reasons why a seller is putting a property on the market.

BACK

False. Clients have an expectation of privacy that should not be violated.



CHAPTER 7

PrepAgent Practice Exam





PrepAgent Practice Exam

After you've gone through the tips and tricks in our exam prep eBook, it's time to put your knowledge to the test with this practice exam from PrepAgent. PrepAgent offers a variety of learning tools, such as interactive flashcards and vocabulary, live online webinars, and audio lessons to guarantee agents pass their exams the first time. **Give these 10 questions a try and then click the link below for more PrepAgent practice questions.**

[Visit PrepAgent](#)

| QUESTION | ANSWER |
|---|--------|
| <p>1 You are preparing a competitive market analysis on a vacant lot that you hope to list for sale. Which of the following approaches to value will be used in the development of the estimated value?</p> <ul style="list-style-type: none">A. Cost approachB. Gross rent multiplierC. Income approachD. Sales comparison approach | <hr/> |
| <p>2 Which of the following comparables would be the most helpful in appraising a home?</p> <ul style="list-style-type: none">A. A similar home sold for nonpayment of taxes.B. A similar property sold under duress.C. A similar home sold by a motivated seller to a motivated buyer.D. A similar home sold by an unwilling seller to an unsure buyer. | <hr/> |
| <p>3 The period over which a property may be profitably utilized is called its:</p> <ul style="list-style-type: none">A. economic lifeB. amortized lifeC. income lifeD. net life | <hr/> |
| <p>4 Wear and tear to the load bearing members of a building would be classified as:</p> <ul style="list-style-type: none">A. functional obsolescence-curableB. physical deterioration-curableC. functional obsolescence-incurableD. physical deterioration-incurable | <hr/> |

5 While the economy is experiencing inflation, interest rates:

- A. drop and housing prices rise
- B. rise and housing prices drop
- C. rise and housing prices rise
- D. None of the above

6 When using the market-data approach to appraise a single-family home, recent sales are compared to the subject property as to:

- A. capitalization rates
- B. exterior features only
- C. the entire property
- D. rental income

7 A real estate commission is usually based on the:

- A. listing price
- B. selling price
- C. down payment
- D. loan amount

8 The increase of value with the passage of time describes:

- A. appreciation
- B. "return on" investment
- C. "return of" investment
- D. depreciation

9 Which of the following statements does NOT correctly describe a fiduciary?

- A. A fiduciary owes loyalty to the principal
- B. A fiduciary must conform to the principal's legal instruction
- C. A fiduciary is an agent
- D. A fiduciary is a neutral third party

10 A broker secured a buyer for his client and the seller accepted. Under which type of listing could a broker not receive a commission?

- A. net listing
- B. open listing
- C. exclusive listing
- D. exclusive authorization and right to sell listing



Test Answers & Explanations

Once you've completed the PrepAgent test, check your answers against the answers below to see how many you got correct. If you answered incorrectly, take a look at the explanation so you will know the correct answer for next time.

| ANSWER | EXPLANATION |
|--------|--|
| 1 D | <p>The sales comparison approach is most applicable to the appraisal of vacant land. The cost approach is most applicable to the appraisal of special purpose properties such as a church. The gross rent multiplier is used as a substitute for the income approach in the valuation of a single-family home. The income approach is used in the appraisal of an income-producing property.</p> <p>The fair market value of a property is the price a property would sell for between a willing seller and a willing buyer. Fair market value is the ideal price for a comparable property.</p> |
| 2 C | <p>This relates to the "willing seller, willing buyer" concept of value. The fair market value of a property is the price a property would sell for between a willing seller and a willing buyer. Fair market value is the ideal price for a comparable property.</p> |
| 3 A | <p>Economic life is the estimated amount of time a property remains useful to the average owner.</p> |
| 4 D | <p>Physical damage to the load bearing members of a building would usually be considered too expensive to repair. If it is too expensive to repair, it is classified as incurable physical deterioration.</p> |
| 5 C | <p>During inflationary periods, interest rates and housing prices usually rise. Inflation measures the rate at which the average price of things like interest rates and housing increases over a period of time. When inflation occurs, it causes a decrease in the purchasing power of money, so borrowers must spend more to borrow the same amount of money.</p> |

| | | |
|----|---|---|
| 6 | C | The entire property is examined for comparison purposes. |
| 7 | B | Real estate commissions are usually based on a percentage of the selling price. |
| 8 | A | Appreciation is a temporary or permanent increase in the worth or value of property due to economic causes. Appreciation is the opposite of depreciation (a loss in value). |
| 9 | D | The broker has a fiduciary duty to work in the best interest of their client, so a fiduciary is not generally neutral. |
| 10 | A | A net listing is an employment contract in which the broker's commission equals all excess money above the minimum sales price set by the seller. If a broker secured an offer for the exact minimum sales price on a net listing, they might not receive a commission. |



For more tools and resources that will help you pass your real estate exam, check out PrepAgent. Take advantage of audio and video lessons, interactive flashcards, eBooks, vocabulary worksheets, and more. Use the link below to receive 20% off all PrepAgent Exam Prep packages.

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