



RCE Module 2 Real Estate

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Practice Questions

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1. What is the primary concern of antitrust law as it applies to REALTOR® associations?

- A. Ensuring all brokers charge the same commission rates
- B. Preventing associations from growing too large
- C. Limiting the number of members in an association
- D. Prohibiting agreements that unreasonably restrain trade

2. Which of the following discussions at a board meeting would MOST likely raise antitrust concerns?

- A. Whether to upgrade the MLS technology platform
- B. Plans for the annual membership meeting
- C. What commission rates members should charge
- D. How to improve the association's educational offerings

3. Under the duty of loyalty, what must association directors avoid?

- A. Disagreeing with the CEO
- B. Conflicts of interest
- C. Attending too many meetings
- D. Making difficult decisions

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4. Which of the following is a key difference between governance and management in a REALTOR® association?

- A. The board sets policy while staff implements it
- B. Management makes all final decisions that governance approves
- C. Governance handles day-to-day operations
- D. Staff sets the strategic direction for the organization



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5. What should an Association Executive do if board members begin discussing what commission rates 'should be' during a meeting?

- A. Allow the discussion but don't record it in minutes
- B. Join the discussion to provide market context
- C. Wait until after the meeting to address concerns privately
- D. Immediately stop the discussion and explain the antitrust risk

6. Which government agencies primarily enforce federal antitrust laws that affect REALTOR® associations?

- A. SEC and IRS
- B. FDA and EPA
- C. FTC and DOJ
- D. HUD and CFPB

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7. Which type of insurance is MOST important for protecting the association against claims related to board member decision-making?

- A. Workers' compensation insurance
- B. Directors and Officers (D&O) insurance
- C. General liability insurance
- D. Property insurance

8. What is the legal doctrine that can hold an association liable for actions of its volunteers when they are acting on behalf of the association?

- A. Respondeat superior
- B. Limited liability
- C. Strict construction
- D. De minimis non curat lex

9. Which fiduciary duty requires board members to make informed decisions after appropriate research and consultation?

- A. Duty of loyalty
- B. Duty of obedience
- C. Duty of disclosure
- D. Duty of care



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10. Which of the following activities would MOST likely trigger DOJ or FTC scrutiny of a REALTOR® association?

- A. Publishing a membership directory
- B. Conducting community service projects
- C. Policies that appear to exclude innovative business models
- D. Holding continuing education classes

11. When implementing a new MLS policy, what should an Association Executive consider to minimize legal risk?

- A. Keeping the policy confidential until implementation
- B. Having legal counsel review the policy for antitrust compliance
- C. Implementing the policy as quickly as possible
- D. Only notifying the largest brokerages

12. What is a key component of an effective risk management strategy for a REALTOR® association?

- A. Conducting regular legal audits of policies and procedures
- B. Avoiding all potentially controversial decisions
- C. Limiting membership to reduce liability exposure
- D. Requiring all members to have personal liability insurance

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13. Under the duty of obedience, what must association directors ensure?

- A. That all members follow the same business practices
- B. That staff obeys all board directives without question
- C. That the association never changes its strategic plan
- D. That the association operates within its mission and complies with laws



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14. Which of the following statements about board minutes is MOST accurate from a legal perspective?

- A. Minutes are confidential and can never be used in legal proceedings
- B. Minutes should only record unanimous decisions
- C. Minutes should document decisions without detailed discussions that could create liability
- D. Minutes should include verbatim transcripts of all discussions

15. What is the best practice when a board member has a potential conflict of interest regarding a decision?

- A. The entire matter should be tabled until the next meeting
- B. The member should disclose the conflict, recuse themselves from voting, and have this recorded in minutes
- C. The member should abstain from voting but can still participate in discussions
- D. The member should resign from the board immediately

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16. Which type of antitrust violation typically carries the most severe penalties?

- A. Per se violations (like price fixing)
- B. Rule of reason violations
- C. Technical violations
- D. Incidental violations

17. What legal protection might be MOST relevant if an association wants to share aggregated statistical market data among members?

- A. First Amendment free speech protections
- B. Business necessity defense
- C. Copyright exemptions
- D. Antitrust safe harbor provisions for properly aggregated data

18. From a governance perspective, which of the following is NOT typically a board responsibility?

- A. Approving the annual budget
- B. Hiring and evaluating the Association Executive
- C. Processing membership applications
- D. Setting the association's strategic direction



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19. What is a primary purpose of the business judgment rule as it applies to REALTOR® association boards?

- A. To prevent members from questioning board decisions
- B. To protect board members from personal liability for good faith decisions
- C. To ensure board members always make perfect decisions
- D. To allow board members to delegate all decisions to legal counsel

20. Which of the following statements about association bylaws is MOST accurate from a legal perspective?

- A. Bylaws create legal obligations that the association must follow
- B. Bylaws are simply guidelines that can be ignored when inconvenient
- C. Bylaws only apply to elected leadership, not staff or members
- D. Bylaws can be changed by the Association Executive without board approval

21. An association executive is revising the association's bylaws. According to NAR policy, which of the following must be included?

- A. A minimum dues amount set by the local board
- B. Rules about broker advertising practices
- C. Specific criteria for association leadership selection
- D. Mandatory provisions requiring members to adhere to the Code of Ethics

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22. When developing a policy manual for a local REALTOR® association, which approach best helps the association meet core standards requirements?

- A. Creating policies based solely on local preferences without NAR input
- B. Developing policies only when issues arise
- C. Reviewing NAR model policies and adapting them to local needs
- D. Copying another association's policy manual completely



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23. During a board of directors meeting, several members begin discussing setting a 'standard' commission rate for the area. What should the association executive do immediately?

- A. Take a membership vote on the proposed rate
- B. Interrupt the discussion and advise that this topic could violate antitrust laws
- C. Allow the discussion but not record it in the minutes
- D. Suggest they continue the conversation after the meeting

24. Which NAR core standards requirement relates directly to association governance?

- A. Having an actively enforced Code of Ethics
- B. Maintaining a consumer outreach program
- C. Conducting quarterly market statistics
- D. Hosting an annual golf tournament fundraiser

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25. An association is updating its bylaws. What is the correct process for implementing these changes?

- A. Immediate implementation after board approval
- B. Submission to NAR first, then local approval
- C. Changes by association staff with later board notification
- D. Approval by board of directors, then membership, then submission to NAR for review

26. Which of the following would most likely create antitrust concerns at a REALTOR® association meeting?

- A. Discussion about association dues structure
- B. Planning for community service projects
- C. Discussion about what fees members should charge consumers
- D. Review of NAR professional standards procedures

27. According to NAR policy, how often must local associations certify their compliance with core standards?

- A. Only when standards change
- B. Annually
- C. Quarterly
- D. Every three years



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28. What is the primary purpose of NAR's core standards for REALTOR® associations?

- A. To ensure consistent service and value across all REALTOR® associations
- B. To increase NAR's revenue through local associations
- C. To reduce the number of local associations
- D. To standardize all association events and programs

29. Which of the following must be included in a local REALTOR® association's bylaws?

- A. The exact amount of annual membership dues
- B. Rules governing broker advertising
- C. Specific committee meeting schedules
- D. A provision stating that the board of directors is the governing body

30. When is a local association considered in compliance with NAR's core standards for advocacy?

- A. When all members contribute to RPAC
- B. When it hires a full-time government affairs director
- C. When it demonstrates advocacy engagement through RPAC participation or other initiatives
- D. When it holds monthly advocacy training sessions



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Answer Key & Explanations

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1. D — Prohibiting agreements that unreasonably restrain trade

Antitrust law primarily prohibits agreements that unreasonably restrain trade, which in REALTOR® associations can manifest as price-fixing discussions among competing brokers who are association members.

2. C — What commission rates members should charge

Discussions about what commission rates members should charge is a clear example of price fixing, which violates antitrust laws.

3. B — Conflicts of interest

The fiduciary duty of loyalty requires directors to avoid conflicts of interest where their personal interests might conflict with those of the association.

4. A — The board sets policy while staff implements it

Governance (board) focuses on setting policy, direction, and oversight, while management (staff) is responsible for implementing policies and day-to-day operations.

5. D — Immediately stop the discussion and explain the antitrust risk

To avoid antitrust violations, the AE should immediately stop the discussion, explain the antitrust risk, document the intervention, and potentially seek legal counsel if needed.

6. C — FTC and DOJ

The Federal Trade Commission (FTC) and Department of Justice (DOJ) are the primary federal agencies that enforce antitrust laws affecting REALTOR® associations.

7. B — Directors and Officers (D&O) insurance

Directors and Officers (D&O) insurance specifically protects the organization and its board members from claims related to governance decisions and actions.

8. A — Respondeat superior

Respondeat superior ("let the master answer") is a legal doctrine holding organizations liable for the actions of their agents, including volunteers acting on behalf of the association.

9. D — Duty of care

The duty of care requires board members to be informed, attentive, and prudent in their decision-making, which includes proper research and consultation.

10. C — Policies that appear to exclude innovative business models

Attempts to exclude innovative business models or restrict competition are most likely to trigger regulatory scrutiny, as they may violate antitrust laws by restricting market competition.

11. B — Having legal counsel review the policy for antitrust compliance

Having legal counsel review policy changes helps ensure compliance with antitrust laws, NAR policies, and



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other legal requirements, thereby reducing legal risk.

12. A — Conducting regular legal audits of policies and procedures

Regular legal audits help identify potential legal issues before they become problems, which is a proactive approach to risk management.

13. D — That the association operates within its mission and complies with laws

The duty of obedience requires directors to ensure the organization operates within its mission and bylaws and complies with applicable laws and regulations.

14. C — Minutes should document decisions without detailed discussions that could create liability

Minutes are legal records that can be used in court, so they should document decisions and actions taken but avoid verbatim discussion details that could create liability.

15. B — The member should disclose the conflict, recuse themselves from voting, and have this recorded in minutes

When conflicts exist, the member should disclose the conflict, recuse themselves from discussion and voting, and have this recorded in the minutes to protect both the member and the association.

16. A — Per se violations (like price fixing)

Per se violations (like price fixing, bid rigging, and market allocation) are considered inherently harmful to competition and typically carry the most severe penalties, including potential criminal charges.

17. D — Antitrust safe harbor provisions for properly aggregated data

The safe harbor provision can protect associations when sharing statistical data, provided the data is historical, anonymized, and aggregated properly to avoid competitive harm.

18. C — Processing membership applications

Processing membership applications is an operational task that falls under staff/management responsibilities, not governance.

19. B — To protect board members from personal liability for good faith decisions

The business judgment rule protects board members from personal liability for decisions made in good faith, with due care, and in the best interests of the association.

20. A — Bylaws create legal obligations that the association must follow

Bylaws are binding governance documents that create legal obligations for the association and must be followed; they are not merely guidelines but contractual in nature.

21. D — Mandatory provisions requiring members to adhere to the Code of Ethics

NAR requires all member associations to include mandatory provisions in their bylaws, including the requirement to adhere to the Code of Ethics. These mandatory provisions ensure consistency across the organization.

22. C — Reviewing NAR model policies and adapting them to local needs

Reviewing NAR model policies ensures the local association's policies align with NAR requirements, helping to meet core standards compliance while maintaining local flexibility.

23. B — Interrupt the discussion and advise that this topic could violate antitrust laws

Discussions about standardizing commission rates can violate antitrust laws. The AE must intervene



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immediately to stop such discussions and remind members that this type of discussion could create legal liability.

24. A — Having an actively enforced Code of Ethics

NAR core standards require associations to have an actively enforced Code of Ethics as part of their governance structure, ensuring ethical standards are maintained.

25. D — Approval by board of directors, then membership, then submission to NAR for review

Bylaw changes require approval by the association's board of directors, followed by the membership, and then must be submitted to NAR for review to ensure compliance with NAR policy.

26. C — Discussion about what fees members should charge consumers

Discussions about fees charged to consumers can be interpreted as price-fixing, which violates antitrust laws. Association executives must prevent such discussions.

27. B — Annually

NAR requires annual certification of core standards compliance to ensure associations consistently maintain the required standards of service and operation.

28. A — To ensure consistent service and value across all REALTOR® associations

The primary purpose of core standards is to ensure consistency in service and value across all REALTOR® associations, maintaining the strength and relevance of the organization.

29. D — A provision stating that the board of directors is the governing body

NAR requires that local association bylaws include a provision stating that the association's board of directors will be the governing body, establishing clear governance structure.

30. C — When it demonstrates advocacy engagement through RPAC participation or other initiatives

Core standards require associations to demonstrate advocacy engagement through activities such as RPAC participation, calls for action, or other advocacy initiatives supporting the industry.



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