



Real Estate

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1. What is the function of a "release clause" in a mortgage?

- A. Releases the lender from liability.
- B. Release the title company from liability
- C. Allow a borrower to be released from liability
- D. Allow the release of some properties upon partial payment, when more than one property is used as security for the debt

2. When a mortgage loan has been fully repaid, it is crucial for the borrower to ensure that:

- A. A satisfaction of mortgage is recorded.
- B. The paid note is placed in a safe deposit box.
- C. The paid mortgage is returned to the lender.
- D. He or she obtains a deed of partial reconveyance.

3. A VA loan can be approved for the acquisition of a property, which can range from a one-family to a four-family unit, as long as:

- A. the VA loan applicant certifies the rent collected will equal the mortgage payments.
- B. the loan will be amortized for not more than 20 years.
- C. the down payment will be at least 10%.
- D. the VA loan applicant agrees to live there.

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4. The building has an estimated remaining economic life of 25 years. What is the annual recapture rate when applying the straight-line method?

- A. 25%
- B. 400%
- C. 40%
- D. 4%



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5. The provision in a trust deed or mortgage that allows the lender to demand full repayment of the outstanding balance immediately in the event of default is known as:

- A. escalator clause.
- B. forfeiture clause.
- C. acceleration clause.
- D. judgment clause.

6. The clause that grants the lender the authority to terminate the loan in the event of property title transfer is referred to as a(n)

- A. alienation clause
- B. acceleration clause
- C. defeasance clause
- D. graduated clause

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7. A lender's title insurance policy terminates under which circumstances?

- A. A home equity line of credit is taken against the property.
- B. The mortgagor dies.
- C. The mortgagee dies.
- D. The mortgage debt is paid in full.

8. Enhancing a building by modifying its layout, features, or purpose

- A. RECONDITIONING
- B. REVIVING
- C. REMODELING
- D. REHABILITATION

9. A financial claim or burden on a property, whether it is voluntary or involuntary.

- A. LIEN
- B. BURDEN
- C. SITUS
- D. WAIVER

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10. What does an appraiser use a site analysis to determine?

- A. appropriate zoning designation for a property.
- B. comparable values of similar properties.
- C. type of soil under an improved property.
- D. highest and best use of a property.

11. The owner, who was constructing a house for his own use, made a personal decision to exclude a bathtub from the design. Consequently, this choice would lead to:

- A. external obsolescence
- B. physical deterioration
- C. functional obsolescence
- D. social obsolescence

12. An appraiser who is conducting an evaluation of a single-family residence observes that the home under review lacks an attached garage. Three comparable properties selected by the appraiser have attached garages that are finished. In order to consider the presence of garages in the comparables that are not present in the subject property, the appraiser will:

- A. add the value of an attached garage to the sales price for each comparable.
- B. subtract the value of an attached garage from the subject property.
- C. add the value of an attached garage to the subject property.
- D. subtract the value of an attached garage from the sales price for each comparable.

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13. A title search for a property under contract has revealed a number of outstanding liens against the property. Which lien listed below holds the highest priority?

- A. A judgment lien rendered and recorded last month
- B. A special assessment for the current year
- C. A property tax lien for the current year
- D. An outstanding first mortgage lien dated and recorded one year ago



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14. An appraiser is utilizing the market data approach to analyze the prices of similar properties in relation to the subject property. In the event that the comparable properties possess a specific attribute which is absent in the subject property, the appraiser will consider the value associated with that attribute:

- A. Added to the sales price of the subject;
- B. Identified in the report but given no consequences;
- C. Subtracted from the sales price of the comparables;
- D. Ignored since no two properties are alike;

15. When supply equals demand in an open, fair market, it is known as:

- A. Covenant of Seisen
- B. Appurtenant value
- C. Equity
- D. Equilibrium

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16. A developer has achieved remarkable success and generated substantial profits in a recent real estate project. Which principle of value suggests that her exceptional performance will entice other individuals to embark on comparable projects within the vicinity?

- A. Anticipation
- B. Conformity
- C. Competition
- D. Highest and best use

17. When employing the market-data approach to evaluate a single-family residence, recent sales are carefully compared to the property being appraised in terms of:

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

18. An appraiser's job can be described as:

- A. Finding value
- B. Determining value
- C. Estimating value
- D. Computing value



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19. A homestead exemption protects against judgments:

- A. That result from unpaid taxes
- B. That result from the costs of improvements
- C. That result from foreclosure of a mortgage
- D. Of unsecured creditors

20. Henry made an offer to purchase real property, but unfortunately, he passed away due to a heart attack before the listing broker had a chance to inform him about the seller's acceptance of the offer. Given this situation, which of the following statements is correct:

- A. All of the other options are correct
- B. Notification to the administrator or executor would bind the estate
- C. The death of Henry constituted a revocation of the offer
- D. The offer and acceptance constitute an enforceable contract

21. An agent becomes the agent of the seller when both the seller and the agent sign a(n):

- A. Transfer Disclosure Statement.
- B. Agency Disclosure Statement.
- C. Listing Agreement.
- D. Purchase Agreement.

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22. Susan owns an apartment house and claimed a depreciation expense of \$10,000 on her federal income tax return. To determine the property's basis for income tax purposes, we need to consider the following:

- A. unaffected
- B. increased by \$10,000
- C. decreased by \$10,000
- D. increase of \$15,000



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23. The areas of law that are crucial for real estate professionals do *NOT* encompass

- A. the law of agency
- B. the general property law
- C. law of contracts
- D. maritime law

24. A parcel of property was purchased jointly by two friends. The deed they received from the seller during the closing process conveyed the property by specifically naming both friends as individual owners, without any additional clarification. As a result, the friends acquired the property as what type of ownership?

- A. Community property owners
- B. Tenants by the entirety
- C. Joint tenants
- D. Tenants in common

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25. Sam is renting property from John, Sam is on a month to month lease agreement, this past month he did not pay his rent, Sam interest would be classified as:

- A. Estate for Years
- B. Estate at Will
- C. Estate of Periodic tenancy
- D. Estate at Sufferance

26. Which of the subsequent documents is typically drafted when a buyer of real estate additionally acquires a riding lawn mower sold by the seller?

- A. A bill of sale
- B. A wraparound loan
- C. An option
- D. A conditional sales contract



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27. When a governmental body takes private real property for necessary public use, it is important to adhere to specific legal procedures. This act of taking is a demonstration of the right of:

- A. Escheat
- B. Eminent domain
- C. Zoning
- D. Taxation

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28. Legally speaking, an "attachment" is a term used in real estate referring to:

- A. lien.
- B. joint fixture.
- C. judgment.
- D. assessment.

29. Which of the options below most accurately represents the practice commonly referred to as "puffing"?

- A. A licensee exaggerates certain features or benefits of a property.
- B. A licensee implies that he is well connected, and knows many influential people in the area.
- C. A licensee communicates his opinions about a property as material facts.
- D. A licensee misrepresents material facts concerning a property.

**30. Mr. and Mrs. Thomas Martin are seeking to sell their house and are considering utilizing multiple brokers. However, they desire the option to sell the property on their own without incurring any commission fees to the broker.

Which type of listing agreement would enable them to engage various brokers while also enabling them to sell the house independently without being obligated to pay any commission?**

- A. Exclusive listing
- B. Net listing
- C. Open listing
- D. Exclusive right to sell listing



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Answer Key & Explanations

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1. D — Allow the release of some properties upon partial payment, when more than one property is used as security for the debt

A release clause, commonly found in a blanket mortgage, permits segments of the property to be released from a lien as payments are made.

2. A — A satisfaction of mortgage is recorded.

The recording process formalizes the owner's "paid in full" status. Failure to complete this step can often result in the lender's interest remaining listed, leading to complications if the owner intends to sell or secure new financing.

3. D — the VA loan applicant agrees to live there.

While the rules and terms may vary, VA loans offer low down payment and below market interest rates, contingent upon the borrower residing in the property.

4. D — 4%

100% (total depreciation) divided by 25 years = 4% depreciation per year.

5. C — acceleration clause.

This clause safeguards the lender's interest and typically serves as an initial stage in the foreclosure process. Despite this, borrowers still have opportunities to reinstate monthly payments and should be aware of their available options.

6. A — alienation clause

In mortgage terminology, an alienation clause is a provision in the contract with the lender that stipulates the borrower must fully pay off the mortgage before transferring the property to another party.

7. D — The mortgage debt is paid in full.

Title insurance provides protection against losses arising from defects in the title to a specified piece of real property. The majority of title insurance policies are designed to cover the lender, and the policy terminates upon full repayment of the mortgage debt. Owner's title insurance policies also exist to shield the property owner from title defects.

8. C — REMODELING

Remodeling involves redesigning a space, while rehabilitation pertains to repairing or updating a space that is damaged or outdated.

9. A — LIEN

When a property has a lien, it signifies that there is an outstanding debt. A lien serves as a form of security interest provided over a property item to ensure the repayment of a debt. The property owner who grants the lien is known as the lienee, while the individual who holds the benefit of the lien is referred to as the lienor or lien holder.



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10. D — highest and best use of a property.

A **site analysis** is used to determine the highest and best use of a property.

11. C — functional obsolescence

Functional obsolescence can stem from outdated features and inadequate design. For instance, an older home with five bedrooms and only one bath is considered obsolete by modern standards, just as a new home lacking bathtubs or with bedrooms accessible only through other bedrooms also exhibits functional obsolescence.

12. D — subtract the value of an attached garage from the sales price for each comparable.

Adjustments are exclusively made to comparable properties and not to the subject property. If the comparable property is superior to the subject property or possesses a feature present in the comparable but absent in the subject, the value of the amenity is subtracted from the sales price of the comparable. Conversely, if the subject property is superior to the comparable, the value of the amenity is added.

13. C — A property tax lien for the current year

The response is a property tax lien for the current year. Property tax liens take precedence over previously recorded liens and special assessments, which in turn also take priority over previously recorded liens. The priority of other liens is determined by their recording dates, with those recorded first holding the primary right to payment or priority.

14. C — Subtracted from the sales price of the comparables;

When comparing two properties, it's necessary to account for the features of the comparable properties. For instance, if one property has a pool while the other does not, you must deduct the value of the pool.

15. D — Equilibrium

The economic term given to a fair and open market when supply and demand are equal is equilibrium.

16. C — Competition

Competition arises from the interplay of supply and demand, wherein attractive profits often draw new activity and competition from other developers or investors. As per the principle of anticipation, a property's value is influenced by the expectation of certain events, such as the potential negative impact on a house's value if rumors suggest that an adjacent property might be converted to commercial use in the near future. The principle of conformity dictates that a property achieves its maximum value when it harmonizes with its neighborhood and surroundings. The highest and best use of a property is the utilization that will yield its greatest current value.

17. B — the entire property.

The market data approach involves estimating the value of a property by comparing it with recently sold comparable properties. The entire property is assessed for comparison purposes.

18. C — Estimating value

The opinion of the appraiser causes an estimate of the value.

19. D — Of unsecured creditors

The homestead act is one of the legal life estates, along with dowry and curtesy, that protect the residence against unsecured creditors, such as credit card. However, it does not protect against secured creditors, like a mortgage company, that hold secured lien against the property.



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20. C — The death of Henry constituted a revocation of the offer

If a buyer passes away before the seller accepts the offer, the offer is terminated.

21. C — Listing Agreement.

The Listing Agreement is the employment contract that creates the agency relationship between the seller and the listing agent.

22. C — decreased by \$10,000

Basis is the value carried on the books of the owner. When the owner deducts \$10,000 for depreciation, the book value/basis goes down by \$10,000.

23. D — maritime law

Maritime law is not an area of law that is crucial for real estate professionals. Maritime law, also known as admiralty law, deals with legal matters related to navigation, trade, and commerce on the seas and other navigable waters. Real estate professionals primarily deal with the legal aspects of buying, selling, and managing properties on land.

24. D — Tenants in common

In cases where joint tenancy is not explicitly specified in the deed, the grantees acquire title as tenants in common to prevent inadvertent joint tenancy. Non-married individuals are unable to hold community property or become tenants by the entirety, as these forms of ownership are exclusively available for married couples.

25. D — Estate at Sufferance

A tenant who continues to occupy the property after his rights have expired is said to be occupying the property under an Estate at Sufferance.

26. A — A bill of sale

A bill of sale is a written document that provides proof of the transfer of title to personal property. Personal property typically refers to movable property, such as a lawn mower, and a bill of sale serves as documentation for such transactions.

27. B — Eminent domain

Eminent domain is a legal mechanism that permits a federal or local government to acquire private property for public use. The authority exercising eminent domain must provide fair market value compensation for the property seized.

28. A — lien.

An attachment is a legal process used to identify specific property owned by a debtor to be transferred to a creditor to cover the cost of the debt. Attachments are regarded as liens against property.

29. A — A licensee exaggerates certain features or benefits of a property.

Puffing occurs when a licensee exaggerates the benefits or features of a property, presenting an inflated portrayal to potential buyers. Legally, it is acknowledged as an opinion rather than a representation of factual information.

30. C — Open listing

An open listing allows a homeowner to sell their property independently as a "For Sale By Owner." This type of agreement is non-exclusive, enabling the owner to enter into open listings with multiple real estate brokers and only compensate the broker who introduces a qualified buyer whose offer the owner approves.



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