

Affiliate Broker Tennessee (TN PSI) National Practice Exam (Sample)

Study Guide



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SAMPLE

Questions

- 1. What is true regarding the security of client information?**
 - A. Client data is always safe regardless of system security**
 - B. Client data can be compromised if the brokerage's computer system is exposed**
 - C. Confidentiality is guaranteed by law**
 - D. Home inspections prevent data breaches**
- 2. In property management, what document outlines the responsibilities and expectations between the property owner and manager?**
 - A. Management plan**
 - B. Lease agreement**
 - C. Property management agreement**
 - D. Service contract**
- 3. What is true regarding the Closing Disclosure for Kelly's home purchase?**
 - A. It must be given by the lender on the day of closing**
 - B. It must be provided by the lender by the Friday of the week before closing**
 - C. It can be given verbally on the closing date**
 - D. It is optional for the lender to provide**
- 4. What is the purpose of a comparative market analysis (CMA)?**
 - A. To determine the tax assessment of a property**
 - B. To evaluate the potential sales price of a property by comparing it to similar properties**
 - C. To inspect the physical condition of a property**
 - D. To negotiate terms between buyers and sellers**
- 5. What is one effect of a buyer's market on property prices?**
 - A. Prices typically increase.**
 - B. Prices fluctuate greatly.**
 - C. Prices tend to decrease.**
 - D. Prices remain stable.**

- 6. What type of agency occurs when the consent of one party is assumed rather than established?**
- A. Express agency.**
 - B. Implied agency.**
 - C. Universal agency.**
 - D. Designated agency.**
- 7. What is the primary statute governing real estate transactions in Tennessee?**
- A. The Tennessee Real Estate License Act of 1973**
 - B. The Housing and Urban Development Act**
 - C. The Tennessee Fair Housing Law**
 - D. The National Real Estate Act of 1968**
- 8. Which of the following is NOT considered a group boycott?**
- A. Collaborating with suppliers for a discount.**
 - B. Refusing business with non-members.**
 - C. Agreeing on commission splits among brokers.**
 - D. Coordinating to limit competition in a market.**
- 9. What is "zoning" in real estate?**
- A. A method of property appraisal.**
 - B. Local laws that dictate how properties can be used and developed.**
 - C. Federal regulations governing property ownership.**
 - D. A process of negotiating property prices.**
- 10. What action should you take if your client refuses necessary environmental tests for a property?**
- A. Proceed without testing**
 - B. Insist the tests be done**
 - C. Keep records of your recommendations and client's response**
 - D. Advise them to consult another broker**

Answers

SAMPLE

1. B
2. C
3. B
4. B
5. C
6. B
7. A
8. A
9. B
10. C

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Explanations

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1. What is true regarding the security of client information?

- A. Client data is always safe regardless of system security
- B. Client data can be compromised if the brokerage's computer system is exposed**
- C. Confidentiality is guaranteed by law
- D. Home inspections prevent data breaches

Client data can indeed be compromised if the brokerage's computer system is exposed. This highlights the importance of robust cybersecurity measures and protocols to protect sensitive information from unauthorized access. A brokerage's computer systems are the gateways through which client information is processed and stored, making them a target for cyberattacks. If these systems are not adequately secured—whether through outdated software, lack of encryption, or insufficient user access controls—there is a significant risk of data breaches. While confidentiality has legal protections, such as the Privacy Rule under the Gramm-Leach-Bliley Act, which governs how personal data should be handled, it does not equate to an absolute guarantee of security. Similarly, while home inspections are crucial in evaluating property condition, they do not address the cybersecurity aspects of data protection. Understanding these issues emphasizes the critical need for real estate professionals to prioritize cybersecurity to safeguard client data from potential threats.

2. In property management, what document outlines the responsibilities and expectations between the property owner and manager?

- A. Management plan
- B. Lease agreement
- C. Property management agreement**
- D. Service contract

The property management agreement is the essential document that clearly defines the roles, responsibilities, and expectations of both the property owner and the property manager. This agreement serves as a formal contract that outlines the scope of the property manager's duties, compensation structures, length of the management term, and specific conditions under which the property manager operates. It also can cover areas like rent collection, maintenance responsibilities, and the management of tenant relationships. This agreement is critical in establishing a professional relationship, ensuring that both parties have a clear understanding of their obligations and what is expected of them in managing the property. Without this document, there can be ambiguity regarding authority and responsibilities, which could lead to disputes or misunderstandings. The other documents mentioned have different purposes or contexts; for instance, a lease agreement pertains specifically to the relationship between a landlord and tenant regarding the rental of a property, while a management plan may detail strategies or actions regarding property management but does not serve as the binding contract between owner and manager. A service contract could pertain to specific services provided to the property but does not encapsulate the broader management relationship as comprehensively as a property management agreement does.

3. What is true regarding the Closing Disclosure for Kelly's home purchase?
- A. It must be given by the lender on the day of closing
 - B. It must be provided by the lender by the Friday of the week before closing**
 - C. It can be given verbally on the closing date
 - D. It is optional for the lender to provide

The correct choice states that the Closing Disclosure must be provided by the lender by the Friday of the week before closing. This timing requirement is part of the regulations established under the Truth in Lending Act and the Real Estate Settlement Procedures Act, which aim to ensure that borrowers have adequate time to review the final terms of their mortgage before the closing date. The Closing Disclosure is a critical document that outlines the terms of the loan, the costs associated with it, and details about the closing process. By mandating that it be provided a specific time before closing, the rules help ensure that buyers are informed and can make necessary decisions or ask questions prior to finalizing the transaction. This advance notice is intended to reduce surprises and allow for a smoother closing process. In contrast, the other options misrepresent the requirements around the Closing Disclosure. The lender is not permitted to deliver the disclosure on the day of closing, verbally communicate the terms, or make it optional. This helps emphasize the importance of the document and the buyer's right to adequate preparation time ahead of closing.

4. What is the purpose of a comparative market analysis (CMA)?
- A. To determine the tax assessment of a property
 - B. To evaluate the potential sales price of a property by comparing it to similar properties**
 - C. To inspect the physical condition of a property
 - D. To negotiate terms between buyers and sellers

The purpose of a comparative market analysis (CMA) is to evaluate the potential sales price of a property by comparing it to similar properties that have recently sold in the same area. This process involves analyzing various factors, including the characteristics of the property in question and the sale prices of comparable properties (often referred to as "comps"). By utilizing the CMA, real estate professionals can provide an informed estimate of what price the property might achieve in the current market. The CMA takes into account factors such as location, square footage, number of bedrooms and bathrooms, and overall condition, making it a crucial tool for both sellers looking to price their home competitively and buyers wanting to ensure they are paying a fair price. In contrast, the other options address different aspects of real estate transactions. Determining the tax assessment relates to property taxes and government valuations. Inspecting the physical condition of a property pertains to home inspections rather than market price assessments. Negotiating terms between buyers and sellers is a critical part of the transaction, but it does not directly involve determining the property's market value through comparative analyses.

5. What is one effect of a buyer's market on property prices?

- A. Prices typically increase.**
- B. Prices fluctuate greatly.**
- C. Prices tend to decrease.**
- D. Prices remain stable.**

In a buyer's market, there is typically an excess of inventory available for sale compared to the number of buyers in the market. This imbalance puts downward pressure on property prices as sellers may need to reduce their asking prices to attract potential buyers. With more options available, buyers have greater negotiating power, which often leads to lower prices. As a result, a shift toward decreased property prices is a characteristic outcome of a buyer's market. The other possible answers do not align with the dynamics of a buyer's market. In this type of market, the idea that prices would increase contradicts the very definition of a buyer's market, where an oversupply generally leads to decreased demand and lower pricing. Fluctuating prices could imply instability, which is not typically a hallmark of a buyer's market. Finally, property prices remaining stable would suggest an equilibrium that does not typically occur when inventory is high and demand is low. Thus, the tendency for prices to decrease correctly summarizes the typical effect seen in a buyer's market.

6. What type of agency occurs when the consent of one party is assumed rather than established?

- A. Express agency.**
- B. Implied agency.**
- C. Universal agency.**
- D. Designated agency.**

Implied agency occurs when the consent of one party is assumed rather than explicitly stated. This type of agency can arise from the actions or behavior of the parties involved, indicating that one party intends to act on behalf of another even if they haven't formally agreed to it in writing or verbally. For instance, if a buyer interacts with a real estate agent and acts in a manner demonstrating they expect the agent to represent them, an implied agency relationship might be established based on those actions. In contrast, express agency involves a clear agreement between parties, typically documented in writing. Universal agency grants a broad scope of authority across all areas, while designated agency allows specific agents to represent a client within the same brokerage. Implied agency is unique because it doesn't require formal consent—rather, it is inferred from the situation or conduct of the parties.

7. What is the primary statute governing real estate transactions in Tennessee?

- A. The Tennessee Real Estate License Act of 1973**
- B. The Housing and Urban Development Act**
- C. The Tennessee Fair Housing Law**
- D. The National Real Estate Act of 1968**

The Tennessee Real Estate License Act of 1973 serves as the primary statute governing real estate transactions in the state. This legislation outlines the requirements for obtaining a real estate license, the responsibilities and duties of real estate professionals, and the regulatory framework within which they must operate. It is crucial as it establishes the legal foundation that ensures competency and ethical behavior among real estate practitioners in Tennessee. The Act is specifically tailored to address the nuances of real estate dealings within the state, including licensing requirements, professional conduct standards, and disciplinary actions for violations. By having such a statute, the state aims to protect consumers and maintain integrity within the real estate market. Other options pertain to broader federal regulations or laws that do not specifically regulate the practices of real estate in Tennessee. The Housing and Urban Development Act focuses on federal housing policies, the Tennessee Fair Housing Law addresses discrimination in housing, and the National Real Estate Act of 1968 is more focused on federal standards rather than state governance. Thus, while important, these acts do not hold the same primary role as the Tennessee Real Estate License Act in defining how real estate transactions are conducted specifically within Tennessee.

8. Which of the following is NOT considered a group boycott?

- A. Collaborating with suppliers for a discount.**
- B. Refusing business with non-members.**
- C. Agreeing on commission splits among brokers.**
- D. Coordinating to limit competition in a market.**

A group boycott occurs when members of a group agree not to conduct business with a particular individual or company to exert pressure for some change in practices or policies. This is typically considered anti-competitive behavior and can lead to legal ramifications. Collaborating with suppliers for a discount does not fall under this definition of a group boycott. It is a business practice where members may work together to negotiate better terms, which can be a legitimate competitive strategy aimed at reducing costs and enhancing profitability. This collaboration does not involve refusing to do business with specific companies or individuals outside of the agreed terms and is generally accepted in the realm of business operations. In contrast, the other options involve practices that actively restrict competition or business opportunities for certain parties. Refusing business with non-members directly relates to excluding individuals from a market based on their membership status, while agreeing on commission splits among brokers can limit what they can offer to clients. Coordinating to limit competition in a market clearly represents anti-competitive conduct and is a typical example of a group boycott. Thus, collaborating with suppliers for a discount stands apart from the other scenarios by not involving any aspect of refusal to deal with others or limiting competition; rather, it encompasses strategic partnership behavior.

9. What is "zoning" in real estate?

- A. A method of property appraisal.
- B. Local laws that dictate how properties can be used and developed.**
- C. Federal regulations governing property ownership.
- D. A process of negotiating property prices.

Zoning in real estate refers to local laws and regulations that dictate how properties within a certain area can be used and developed. These laws are established by local governments and can cover a wide range of issues such as land use, building height, density, and the type of activities that can occur on a property. This means that zoning can regulate whether an area is designated for residential, commercial, industrial, or mixed-use purposes, effectively shaping the layout and character of communities. Understanding zoning is crucial for property owners, developers, and real estate professionals because it influences property value, development potential, and the overall environment of neighborhoods. For instance, a property zoned for commercial use might have different rules concerning signage, parking, and hours of operation compared to a residentially zoned property. The other options represent different aspects of real estate that do not pertain to zoning. For example, property appraisal involves assessing the value of a property but does not influence how land can be used. Federal regulations concern nationwide standards for property ownership but do not dictate specific uses for local properties. Finally, negotiation processes deal with property transactions rather than the legislative parameters set out for particular areas through zoning laws.

10. What action should you take if your client refuses necessary environmental tests for a property?

- A. Proceed without testing
- B. Insist the tests be done
- C. Keep records of your recommendations and client's response**
- D. Advise them to consult another broker

Maintaining a thorough record of your recommendations regarding necessary environmental tests, alongside the client's refusal to proceed with them, is crucial for several reasons. First, it protects you as a broker by documenting that you advised the client on important issues that could affect the property's value and the health of its inhabitants. This is essential in case future claims or disputes arise, as it shows you fulfilled your duty to inform the client. Moreover, having a detailed record can demonstrate that you acted responsibly and ethically in your professional capacity, which is important in real estate transactions. If the client later experiences issues related to environmental factors, the documentation can help clarify that you advised against proceeding without testing. Taking action based on another choice, such as proceeding without testing or insisting on tests against the client's wishes, could lead to legal implications, disputes, or damage to the broker-client relationship. Advising the client to consult another broker could also sever your relationship instead of maintaining the professional guidance you are obligated to provide. Therefore, keeping comprehensive records of your communications is the most prudent course of action when faced with a client's refusal of necessary procedures.