

AGENT/BROKER REVIEW COMPANY (ABRC) PROPERTY PRACTICE TEST (SAMPLE) STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 – 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

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- 1. What defines a "breach of contract"?**
 - A. Completion of all terms and conditions in a contract
 - B. Failure to fulfill any terms or conditions in a contract
 - C. A mutual agreement to alter contract terms
 - D. Negotiation of a new contract
- 2. Which of the following best describes the concept of a fiduciary relationship in real estate?**
 - A. One party prioritizes personal gain over the other
 - B. Both parties work independently without obligations
 - C. One party acts in the best interest of another
 - D. Both parties have equal responsibility
- 3. In insurance terminology, what is considered a 'covered peril'?**
 - A. A potential risk that is not insured
 - B. Any type of loss that can be avoided
 - C. An actual cause of loss that insurers will cover
 - D. A deliberate act to defraud the insurer
- 4. What is the difference between 'eminent domain' and 'inverse condemnation'?**
 - A. Eminent domain is voluntary, while inverse condemnation is involuntary
 - B. Eminent domain is the government's right to take property for public use, while inverse condemnation is when property is taken without just compensation
 - C. Both pertain to enforcing zoning laws
 - D. Inverse condemnation applies only to commercial properties
- 5. What is one of the purposes of property inspections in underwriting?**
 - A. To expedite claims processing
 - B. To verify property condition and value
 - C. To establish premium rates only
 - D. To identify financial fraud

6. What is a promissory note?

- A. A legally binding contract for sale
- B. A written promise to pay a specified amount of money at a certain time
- C. A document outlining property rental terms
- D. An agreement between two parties to transfer property

7. What does "omission" refer to in the context of insurance?

- A. Failure to act
- B. Providing false information
- C. Refusal to pay a claim
- D. Underreporting values

8. What is amortization?

- A. The process of vacating a property without penalty.
- B. The process of maximizing rental income over time.
- C. The process of gradually paying off a loan over a fixed period through regular payments.
- D. The method of determining property value based on current market conditions.

9. Which term describes the process of adding value to a property through effort rather than financial investment?

- A. Real estate investment
- B. Sweat equity
- C. Capital appreciation
- D. Home improvement

10. Why is a real estate appraisal significant in obtaining a mortgage?

- A. It reduces the tax liability
- B. It ensures property aligns with loan amount
- C. It determines insurance costs
- D. It provides historical pricing data

Answers

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

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Explanations

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1. What defines a "breach of contract"?

- A. Completion of all terms and conditions in a contract
- B. Failure to fulfill any terms or conditions in a contract**
- C. A mutual agreement to alter contract terms
- D. Negotiation of a new contract

A "breach of contract" is defined as the failure to fulfill any terms or conditions outlined in a contract. This failure can occur in various forms, such as not delivering goods on time, not making payments as agreed, or failing to perform agreed-upon actions. This definition underscores the importance of upholding the agreements made between parties, as a breach can lead to legal consequences and require the non-breaching party to seek remedies, such as damages or specific performance. Completion of all terms and conditions pertains to fulfilling the obligations of the contract, which does not define a breach. A mutual agreement to alter contract terms indicates modifications made by both parties, which is not a breach but rather a renegotiation of the contract. Similarly, negotiating a new contract involves creating a new agreement altogether, separate from any breaches of previous contracts. Thus, the essence of a breach lies in the absence of fulfillment of the stipulated terms.

2. Which of the following best describes the concept of a fiduciary relationship in real estate?

- A. One party prioritizes personal gain over the other
- B. Both parties work independently without obligations
- C. One party acts in the best interest of another**
- D. Both parties have equal responsibility

The concept of a fiduciary relationship in real estate is best captured by the notion that one party acts in the best interest of another. In this type of relationship, typically fostered between real estate agents and their clients, the agent has a legal and ethical obligation to prioritize the client's interests above their own. This encompasses various duties, such as loyalty, full disclosure, confidentiality, and providing the best advice possible, all directed toward ensuring that the client achieves their desired outcomes in a real estate transaction. This understanding is crucial in the real estate profession, as it builds trust and enables effective representation. Clients rely on their agents not just for transactional assistance but for guidance that aligns with their best interests. The essence of fiduciary duty reinforces the importance of this relationship, distinguishing it from more casual or transactional interactions where such deep obligations do not exist. In contrast, other options either misrepresent the nature of the relationship or inaccurately portray the dynamics involved.

3. In insurance terminology, what is considered a 'covered peril'?

- A. A potential risk that is not insured
- B. Any type of loss that can be avoided
- C. An actual cause of loss that insurers will cover**
- D. A deliberate act to defraud the insurer

In insurance terminology, a 'covered peril' refers to an actual cause of loss that insurers have agreed to cover under the terms of a policy. This means that if a loss occurs as a result of this particular peril, the insurance company will provide compensation to the policyholder in accordance with the coverage outlined in the policy. Covered perils can vary significantly depending on the type of insurance and specific policy provisions. For instance, in homeowners insurance, covered perils might include fire, theft, or certain types of water damage, while other risks might not be included. Understanding what constitutes a covered peril is essential for policyholders, as it informs them about the types of events that will be financially protected. The other choices do not fit the definition of a 'covered peril.' A potential risk that is not insured refers to exposures that are outside the scope of the insurance coverage. Losses that can be avoided are considered preventative measures rather than insurable events. Deliberate acts to defraud the insurer, such as arson or insurance fraud, are criminal acts and also excluded from coverage. Thus, the correct understanding of a 'covered peril' centers on those risks that insurance policies explicitly agree to cover in the event of a loss.

4. What is the difference between 'eminent domain' and 'inverse condemnation'?

- A. Eminent domain is voluntary, while inverse condemnation is involuntary
- B. Eminent domain is the government's right to take property for public use, while inverse condemnation is when property is taken without just compensation**
- C. Both pertain to enforcing zoning laws
- D. Inverse condemnation applies only to commercial properties

The correct choice highlights the fundamental legal principles governing property rights in the context of government action. Eminent domain refers to the government's power to take private property for public use, provided that the property owner is compensated fairly. This process is typically straightforward: the government identifies the need for the property (for example, for building roads, schools, or parks) and initiates legal proceedings to acquire it, ensuring compensation is paid based on the property's fair market value. On the other hand, inverse condemnation occurs when a government action effectively takes property without formally exercising its eminent domain authority. This typically arises in situations where regulations or actions (like zoning changes or construction projects) severely diminish a property's value or restrict its use, making it necessary for the property owner to claim that their property has been taken without just compensation. In this case, the property owner must seek compensation through the courts, asserting that the government has caused a 'taking' of their property rights. Understanding this distinction is crucial for real estate practices, legal rights regarding property ownership, and the implications of government actions on private property. The other options do not accurately capture the essence of these legal concepts, such as incorrectly describing the nature of eminent domain or misapplying the principles involved in inverse condemnation.

5. What is one of the purposes of property inspections in underwriting?

- A. To expedite claims processing
- B. To verify property condition and value**
- C. To establish premium rates only
- D. To identify financial fraud

The purpose of property inspections in underwriting primarily revolves around verifying property condition and value. This process involves assessing the physical condition of the property and determining its market value, which are essential components in the risk evaluation conducted by underwriters. By performing inspections, underwriters can gain insights into aspects such as structural integrity, safety features, compliance with local building codes, and any potential liabilities that the insured property might present. This detailed evaluation enables underwriters to make informed decisions regarding the acceptability of the risk and helps ensure that the coverage provided is appropriate relative to the condition and value of the property. This process underscores the importance of accurate property evaluations in preventing underinsurance or overinsurance, ensuring that the insurer can adequately assess the risk involved and set appropriate premiums. Thus, the role of property inspections is critical in forming a thorough understanding of the risk that the insurer is taking on.

6. What is a promissory note?

- A. A legally binding contract for sale
- B. A written promise to pay a specified amount of money at a certain time**
- C. A document outlining property rental terms
- D. An agreement between two parties to transfer property

A promissory note is fundamentally defined as a written promise to pay a specified amount of money at a designated time. This essential characteristic highlights that it serves as a financial instrument where one party (the borrower) formally commits to repaying a debt to another party (the lender). The note includes crucial information such as the amount owed, the interest rate, the repayment schedule, and the maturity date, clarifying the terms of the borrowing agreement. In contrast, the other choices describe different types of legal documents or agreements. A legally binding contract for sale refers to agreements that facilitate the transfer of ownership of property or goods, outlining specific terms and conditions related to the sale. Documents outlining property rental terms pertain to leases, which detail the conditions under which a tenant may occupy a property but do not involve a monetary loan in the same manner as a promissory note. Lastly, an agreement between two parties to transfer property pertains to purchase agreements or conveyances, which focus on the transfer of ownership rather than the promise of payment. Each of these options serves different legal or financial functions, emphasizing why the defining characteristics of a promissory note distinguish it from the others.

7. What does "omission" refer to in the context of insurance?

- A. Failure to act**
- B. Providing false information
- C. Refusal to pay a claim
- D. Underreporting values

In the context of insurance, "omission" specifically refers to the failure to act or the act of leaving out important information. This can occur when an individual does not disclose necessary facts that could affect the underwriting process or the assessment of risk. For instance, if a policyholder fails to mention a pre-existing condition when applying for health insurance, this omission can have significant implications on the policy's validity and potential claims. The other options focus on different aspects of ethical and procedural lapses in insurance practices. Providing false information pertains to actively misrepresenting facts, while refusal to pay a claim is an action taken by the insurer based on the terms of the policy or the discovered information. Underreporting values relates to knowingly stating an asset's value lower than its true worth, which can lead to underinsurance or issues during claims processing. Each of these is a distinct issue that doesn't encapsulate the concept of omission as clearly as the failure to act does.

8. What is amortization?

- A. The process of vacating a property without penalty.
- B. The process of maximizing rental income over time.
- C. The process of gradually paying off a loan over a fixed period through regular payments.**
- D. The method of determining property value based on current market conditions.

Amortization refers to the process of gradually paying off a loan over a specified period through regular installments. Each payment typically consists of both principal and interest, allowing the borrower to systematically reduce the loan balance until it is fully repaid at the end of the term. This process is important in contexts such as mortgages and other types of loans, making financial planning more manageable for borrowers by providing a clear schedule and predictability in payment amounts. In contrast, the other options relate to different concepts. Vacating a property without penalty involves considerations of lease agreements and tenant rights, which do not pertain to the financial mechanisms of loan repayment. Maximizing rental income over time deals with property management strategies and market dynamics rather than the repayment structure of loans. Lastly, determining property value based on current market conditions is an appraisal function, which focuses on assessing worth rather than the process of loan amortization.

9. Which term describes the process of adding value to a property through effort rather than financial investment?

- A. Real estate investment
- B. Sweat equity**
- C. Capital appreciation
- D. Home improvement

The term that describes the process of adding value to a property through effort rather than financial investment is "sweat equity." This concept emphasizes the value generated by the labor and time spent on a property, such as performing renovations, repairs, or maintenance activities that improve its overall condition and market appeal. In contrast to financial investments, where funds are used to enhance property value through paid services or materials, sweat equity is rooted in the personal involvement and effort of the property owner or workers. This approach can significantly reduce the costs associated with property upgrades while simultaneously increasing its value. Understanding this concept is crucial, particularly for first-time homebuyers or investors looking to maximize their investment without a substantial upfront financial commitment.

10. Why is a real estate appraisal significant in obtaining a mortgage?

- A. It reduces the tax liability
- B. It ensures property aligns with loan amount**
- C. It determines insurance costs
- D. It provides historical pricing data

A real estate appraisal is crucial in the mortgage process primarily because it ensures that the property's value aligns with the loan amount requested by the borrower. The lender requires an appraisal to establish the fair market value of the home, which serves as the collateral for the mortgage. If a property's appraised value is lower than the loan amount, it poses a risk to the lender, as they may not recoup their investment in the event of default. The mortgage lender wants to protect their investment, and an appraisal provides assurance that the borrower is not overextending themselves based on an inflated property value. This alignment between the appraised value and the loan amount safeguards both the borrower and lender, ensuring the financial integrity of the mortgage agreement. While other choices mention related concepts, they do not address the primary purpose of an appraisal in the mortgage process. For instance, reducing tax liability and determining insurance costs are not direct functions of an appraisal. Although historical pricing data may be useful for various reasons, it does not serve the fundamental purpose of facilitating a secure and appropriate loan based on current property values.

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

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We wish you the very best on your exam journey. You've got this!

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