

Alabama Real Estate Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

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SAMPLE

Questions

- 1. How does external obsolescence affect property value?**
 - A. Increases value due to external improvements**
 - B. Has no effect on property value**
 - C. Decreases value because it is incurable**
 - D. Varies depending on property location**
- 2. What right does the grantor have with a qualified fee conditional?**
 - A. Right of reversion only**
 - B. Right of reentry and reversion**
 - C. No rights once property is sold**
 - D. Permanent ownership**
- 3. What does a tenant agree to pay in a Gross Lease?**
 - A. Variable rent depending on utilities**
 - B. Same amount of rent each month**
 - C. Base rent plus all property expenses**
 - D. Rent based on the gross sales of their business**
- 4. What is a datum?**
 - A. A method for calculating land area**
 - B. A tool used in property appraisal**
 - C. A point, line, or surface used to measure air space**
 - D. A legal term for property boundaries**
- 5. Who is the beneficiary of an easement in gross?**
 - A. A property**
 - B. A person or entity, usually a utility company**
 - C. The government**
 - D. The servient estate**
- 6. What triggers a mechanic's lien?**
 - A. Failure to pay real estate taxes**
 - B. Legal judgments against a property owner**
 - C. Nonpayment for services rendered on a property**
 - D. Taking out a mortgage**

- 7. What does a blanket mortgage cover?**
- A. A single piece of real estate**
 - B. Two pieces of real estate**
 - C. More than one piece of real estate**
 - D. Only commercial properties**
- 8. What does the Covenant of Further Assurance entail?**
- A. A guarantee against physical defects**
 - B. A promise to correct any deed errors or problems**
 - C. Insurance against environmental hazards**
 - D. Future property tax payments**
- 9. What can victims of ILS fraud do?**
- A. File a complaint with the Office of RESPA and Interstate Land Sales**
 - B. Directly sue the land developer without any formal complaint**
 - C. Nothing; they have no recourse**
 - D. Only write a negative review**
- 10. Who is the listing contract between in a real estate transaction?**
- A. Agent and seller**
 - B. Seller and broker**
 - C. Broker and buyer**
 - D. Agent and buyer**

Answers

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

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Explanations

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1. How does external obsolescence affect property value?

- A. Increases value due to external improvements**
- B. Has no effect on property value**
- C. Decreases value because it is incurable**
- D. Varies depending on property location**

External obsolescence refers to factors outside of a property that can negatively impact its value, such as nearby industrial sites, busy highways, or undesirable neighborhood changes. These factors cannot be easily fixed or mitigated by the property owner, thus decreasing the property's value. This makes option C the correct answer. Option A is incorrect because external obsolescence does not refer to external improvements made by the property owner, but rather external factors that are out of their control. Option B is also incorrect because external obsolescence does have a significant effect on property value. Option D is incorrect because while external obsolescence can vary depending on the location of a property, it ultimately has a negative impact on its value regardless.

2. What right does the grantor have with a qualified fee conditional?

- A. Right of reversion only**
- B. Right of reentry and reversion**
- C. No rights once property is sold**
- D. Permanent ownership**

A qualified fee conditional is a type of ownership where the grantor (the one who sells or transfers the property) has placed certain conditions on the use of the property. These conditions may include restrictions on how the property can be used, which may be enforced by the grantor's right of entry. This means that if the conditions are violated, the grantor has the right to reenter the property and take back ownership. Therefore, option A and D are incorrect because they do not mention the grantor's right of entry. Option C is also incorrect because the grantor still retains certain rights even after the property is sold.

3. What does a tenant agree to pay in a Gross Lease?

- A. Variable rent depending on utilities**
- B. Same amount of rent each month**
- C. Base rent plus all property expenses**
- D. Rent based on the gross sales of their business**

A Gross Lease is a type of lease agreement in which the tenant pays a fixed rent amount each month and the landlord is responsible for all property expenses. Option A is incorrect because the tenant in a Gross Lease does not have to pay for any variable expenses such as utilities. Option C is incorrect because the tenant does not have to pay for any additional property expenses in a Gross Lease. Option D is incorrect because the rent for a Gross Lease is not based on the tenant's business sales, but rather a fixed amount agreed upon in the lease agreement. Therefore, the correct answer is B, as the tenant agrees to pay the same amount of rent each month in a Gross Lease.

4. What is a datum?

- A. A method for calculating land area
- B. A tool used in property appraisal
- C. A point, line, or surface used to measure air space**
- D. A legal term for property boundaries

A datum is a point, line, or surface used as a reference for measurements. Option A is incorrect because a datum is not a method for calculating land area; it is a point, line, or surface used for measurement. Option B is incorrect because a datum is not a tool specifically used in property appraisal; it can be used in any type of measurement. Option D is incorrect because a datum is not a legal term for property boundaries; property boundaries are defined by legal descriptions, not by datums. Therefore, the correct answer is C.

5. Who is the beneficiary of an easement in gross?

- A. A property
- B. A person or entity, usually a utility company**
- C. The government
- D. The servient estate

An easement in gross is a type of easement that grants a specific person or entity the legal right to use another person's land for a specific purpose. The beneficiary, or holder, of an easement in gross is typically a person or entity with a specific need or interest in using the land, such as a utility company needing access to install or maintain utility lines. A is incorrect because a property cannot be a beneficiary, as it does not have the ability to use an easement. C is incorrect because the government can only be the beneficiary if the easement is for public use. D is incorrect because the servient estate is the property that is burdened by the easement, not the beneficiary.

6. What triggers a mechanic's lien?

- A. Failure to pay real estate taxes
- B. Legal judgments against a property owner
- C. Nonpayment for services rendered on a property**
- D. Taking out a mortgage

A mechanic's lien is a legal claim against a property for unpaid work and services. It is typically filed by a contractor or subcontractor who has not been paid for their services. Options A, B, and D are not related to nonpayment for services rendered on a property and therefore would not trigger a mechanic's lien.

7. What does a blanket mortgage cover?

- A. A single piece of real estate
- B. Two pieces of real estate
- C. More than one piece of real estate**
- D. Only commercial properties

A blanket mortgage is a type of mortgage that covers multiple properties as collateral for a single loan. This means that if one of the properties included in the blanket mortgage fails to meet loan requirements, the lender can still foreclose on the entire portfolio. Option A is incorrect because a blanket mortgage is not just limited to covering a single property. Option B is incorrect because there can be more than two properties covered by a blanket mortgage. Option D is incorrect because blanket mortgages can cover both residential and commercial properties. Therefore, the correct answer is C, as it accurately reflects the scope of a blanket mortgage.

8. What does the Covenant of Further Assurance entail?

- A. A guarantee against physical defects
- B. A promise to correct any deed errors or problems**
- C. Insurance against environmental hazards
- D. Future property tax payments

The Covenant of Further Assurance is a promise that the grantor of a property will remedy any issues or mistakes that may arise with the deed. It provides assurance to the grantee that they will receive a proper and unencumbered title to the property. The other options, such as guarantee against physical defects or insurance against environmental hazards, are not related to the conveyance of the property itself. Similarly, future property tax payments do not fall under the terms of the Covenant of Further Assurance.

9. What can victims of ILS fraud do?

- A. File a complaint with the Office of RESPA and Interstate Land Sales**
- B. Directly sue the land developer without any formal complaint
- C. Nothing; they have no recourse
- D. Only write a negative review

Victims of ILS fraud can file a complaint with the Office of RESPA and Interstate Land Sales in order to seek resolution. Filing a complaint is important because it allows for an investigation into the fraudulent activity and possible enforcement action. Additionally, this option allows for potential compensation or restitution for the victims. Directly suing the land developer without any formal complaint may not be as effective as filing a complaint, as there may not be a clear legal avenue for recourse. Doing nothing is not a viable option as it allows the fraudulent activity to continue and does not provide any chances for resolution. Writing a negative review may bring awareness to the issue, but it does not provide any legal action or resolution for the victim.

10. Who is the listing contract between in a real estate transaction?

- A. Agent and seller**
- B. Seller and broker**
- C. Broker and buyer**
- D. Agent and buyer**

In a real estate transaction, the listing contract is between the seller and the broker. This is because the seller is the one who is hiring the broker to represent them and their property. Option A, agent and seller, may seem correct as the agent is the one working directly with the seller, but in reality, the agent is contracted by the broker, making the broker the primary party in the contract. Option C, broker and buyer, may seem logical as the broker is the one who ultimately finds and finalizes the deal with the buyer, but the listing contract is specifically between the seller and the broker. Option D, agent and buyer, is incorrect as the agent works for the broker and does not have a direct contract with the buyer in a traditional real estate transaction. It is important to understand the roles and relationships between all parties involved in a real estate transaction, including the listing contract between the