

Arizona Real Estate License Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

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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

- 1. Which of the following would NOT suffer from depreciation?**
 - A. An abandoned building**
 - B. A residential property used as a rental**
 - C. Unimproved land**
 - D. A 2,700 sq ft. commercial building**
- 2. Section 2 in any township is directly south of what section in a township?**
 - A. 2**
 - B. 5**
 - C. 32**
 - D. 35**
- 3. Which borrower is not required to pay PMI when securing a conventional loan?**
 - A. Kevin, borrowing \$85,000 for a \$100,000 house**
 - B. Lori, borrowing \$150,000 for a \$250,000 house**
 - C. Maurice, borrowing \$250,000 for a \$250,000 house**
 - D. None of them; PMI is only for FHA-insured loans**
- 4. Who is most likely required to be licensed as a real estate broker or salesperson?**
 - A. Jan, who is an auctioneer auctioning real property**
 - B. Karrie, who is selling six properties that she owns**
 - C. Luke, who is managing a four-unit apartment building for its owner**
 - D. Melvin, an attorney drafting contracts for the sale of real property**
- 5. Under an exclusive right to sell listing, which of the following does the broker not need to prove to collect a commission?**
 - A. the listing was signed by the seller**
 - B. the listing was valid**
 - C. the broker was licensed at the time**
 - D. the broker was the procuring cause**

- 6. What is typically not included in a buyer's closing costs?**
- A. Loan origination fees**
 - B. Title insurance premium**
 - C. Home warranty plan**
 - D. Property assessment taxes**
- 7. If Jenny purchased a small office building for \$245,000 with a net operating income of \$35,750, what is her cash-on-cash return?**
- A. 7.0%**
 - B. 7.6%**
 - C. 8.9%**
 - D. 14.6%**
- 8. What is the main purpose of the Federal Housing Administration?**
- A. Guarantee loans**
 - B. Insure loans**
 - C. Lend money**
 - D. Sell loans**
- 9. Which of these would be considered functional obsolescence?**
- A. A bedroom through bedroom floor plan**
 - B. A home facing a busy four-lane highway**
 - C. A home with a broken furnace**
 - D. A home with severe structural damage to the foundation**
- 10. A seller of a listed property instructs the broker not to show the property to a specific religious group. The broker should**
- A. Obey the instructions**
 - B. Refuse and revoke the listing**
 - C. Obey, but only if the client puts it in writing**
 - D. Comply, provided that the religious group is not a corporation**

Answers

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

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Explanations

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1. Which of the following would NOT suffer from depreciation?

- A. An abandoned building**
- B. A residential property used as a rental**
- C. Unimproved land**
- D. A 2,700 sq ft. commercial building**

Unimproved land would not suffer from depreciation because it does not have any physical improvements or structures that can deteriorate over time. Depreciation typically applies to properties that have buildings or other types of improvements that can experience wear and tear, become outdated, or lose value for various reasons. In contrast, abandoned buildings can deteriorate and thus lose value, as can residential rental properties that may face increased maintenance costs or changes in the market that diminish their worth. A commercial building, regardless of its size, is also subject to depreciation due to potential wear and tear and market fluctuations. Unimproved land, however, is often viewed as a stable asset that can maintain or even appreciate in value over time due to factors such as location and demand, making it immune to the typical depreciation seen with developed properties.

2. Section 2 in any township is directly south of what section in a township?

- A. 2**
- B. 5**
- C. 32**
- D. 35**

To determine which section is directly north of Section 2 in a township, it's important to understand the layout of sections within a township. In the Public Land Survey System, townships are divided into 36 sections arranged in a grid pattern with six rows and six columns. Each section is one square mile, and the numbering begins in the northeast corner, progressing left to right and then down. Section 1 is at the top-right corner (northeast), and the sections are numbered in rows such that in the first row you have Sections 1 through 6, the second row contains Sections 7 through 12, and so on. This means: - Section 1 is at the top (northeast). - Section 2 is directly to the left (north) of Section 3, and below that same column are Sections 7 and 8. - As you move down each column of sections, Section 2 is located in the second row, second column of the grid. Since Section 2 is positioned in the second column of the first row, the section that is directly south of Section 2 would be Section 8, which is in the second column of the second row. The answer provided identifies Section

3. Which borrower is not required to pay PMI when securing a conventional loan?

- A. Kevin, borrowing \$85,000 for a \$100,000 house**
- B. Lori, borrowing \$150,000 for a \$250,000 house**
- C. Maurice, borrowing \$250,000 for a \$250,000 house**
- D. None of them; PMI is only for FHA-insured loans**

In the context of conventional loans, private mortgage insurance (PMI) is typically required when a borrower has less than a 20% down payment. This means that PMI protects the lender in the event that the borrower defaults on the loan. Lori, who is borrowing \$150,000 for a \$250,000 house, is putting down a larger percentage than 20%. To calculate the down payment percentage, we can find the difference between the home price and the loan amount. The down payment Lori is making is \$100,000 (\$250,000 - \$150,000). This translates to a down payment of 40%, which is well above the 20% threshold. Therefore, she would not be required to pay PMI since her down payment significantly reduces the lender's risk. In contrast, both Kevin and Maurice would need to pay PMI because their down payments fall below the 20% requirement. Kevin's loan amount represents 85% of the home's value, indicating a 15% down payment, while Maurice's loan amount is equal to the home's full value, which indicates no down payment and thus also would require PMI. The statement in the answer choice about PMI being relevant only for FHA-insured loans is misleading, as PMI

4. Who is most likely required to be licensed as a real estate broker or salesperson?

- A. Jan, who is an auctioneer auctioning real property**
- B. Karrie, who is selling six properties that she owns**
- C. Luke, who is managing a four-unit apartment building for its owner**
- D. Melvin, an attorney drafting contracts for the sale of real property**

The question pertains to the requirement for licensing in real estate activities. In many jurisdictions, including Arizona, individuals who are engaged in the business of selling, renting, or managing real estate for others typically must be licensed as real estate brokers or salespersons. Being an auctioneer auctioning real property falls under the category of engaging in real estate sales, which generally requires a real estate license. This is because auctioning properties for the purpose of selling them involves the active participation in the real estate market and the transfer of property ownership, which are regulated activities necessitating proper licensing. In contrast, the other choices present scenarios where the individuals are either acting in a personal capacity (such as selling properties they own) or performing specific roles that do not require a real estate license (like managing property for an owner or drafting contracts). Thus, Jan's role as an auctioneer is the one that aligns with the need for a real estate broker or salesperson license based on the activities involved in auctioning real estate.

5. Under an exclusive right to sell listing, which of the following does the broker not need to prove to collect a commission?

- A. the listing was signed by the seller**
- B. the listing was valid**
- C. the broker was licensed at the time**
- D. the broker was the procuring cause**

An exclusive right to sell listing provides the broker with the assurance of earning a commission regardless of who ultimately finds a buyer for the property. In this type of agreement, the seller grants the broker the exclusive right to market and sell the property, which means that the broker does not have to prove they were the procuring cause of the sale in order to collect their commission. This is significant because it differentiates the exclusive right to sell listing from other types of listings, such as exclusive agency listings, where the broker would need to demonstrate they were the procuring cause in order to earn a commission if the seller finds a buyer independently. The requirement that a listing be signed by the seller and be valid ensures that the broker has a legitimate contract and authority to act on behalf of the seller. Additionally, being licensed at the time of the transaction is a fundamental requirement for brokers, regardless of the listing type, to legally earn a commission.

6. What is typically not included in a buyer's closing costs?

- A. Loan origination fees**
- B. Title insurance premium**
- C. Home warranty plan**
- D. Property assessment taxes**

In real estate transactions, closing costs can encompass a variety of fees and expenses that the buyer incurs when purchasing a property. While loan origination fees, title insurance premiums, and property assessment taxes are commonly included in the buyer's closing costs, a home warranty plan typically is not considered a necessary expense at closing. The loan origination fee is a charge by the lender for processing the mortgage application, and title insurance protects the buyer against any future claims on the property. Property assessment taxes are governmental charges based on the property's value and are often due at closing. A home warranty plan, on the other hand, is an optional service that provides repairs or replacements for home systems and appliances due to normal wear and tear. Buyers can choose to purchase this plan for added protection, but it is not a requirement and is often viewed as an additional expense rather than a standard closing cost. Understanding the difference between mandatory closing costs and optional services like home warranties can help buyers budget properly and anticipate the financial responsibilities associated with their home purchase.

7. If Jenny purchased a small office building for \$245,000 with a net operating income of \$35,750, what is her cash-on-cash return?

- A. 7.0%
- B. 7.6%**
- C. 8.9%
- D. 14.6%

To determine Jenny's cash-on-cash return, we need to identify the formula used for this calculation. The cash-on-cash return is calculated using the formula: $\text{Cash-on-Cash Return} = (\text{Net Operating Income} / \text{Cash Invested}) \times 100$. In this scenario, the net operating income (NOI) is \$35,750. However, since the purchase price of the office building is \$245,000, and without further details about any financing involved, it's common in basic calculations to consider that the cash invested is the same as the purchase price, especially when assuming there's no mortgage involved in this question. Using the figures provided: - Net Operating Income = \$35,750 - Cash Invested = \$245,000. Now, plug these values into the formula: $\text{Cash-on-Cash Return} = (\$35,750 / \$245,000) \times 100$. Calculating this: 1. Divide \$35,750 by \$245,000, which equals approximately 0.14634. 2. Multiply 0.14634 by 100 to convert to a percentage, resulting in a cash-on-cash return of about 14.63%. Since this rounds to approximately 14.6%, the correct answer

8. What is the main purpose of the Federal Housing Administration?

- A. Guarantee loans
- B. Insure loans**
- C. Lend money
- D. Sell loans

The main purpose of the Federal Housing Administration (FHA) is to insure loans made by approved lenders to borrowers with low to moderate incomes. This insurance provides lenders with a degree of protection against losses that may occur if a borrower defaults on their loan. By insuring loans, the FHA encourages lenders to offer loans to a wider range of borrowers, including those who may have lower credit scores or limited financial resources. This insurance program enhances access to mortgage financing, which is essential for increasing homeownership opportunities across different income levels. The FHA plays a crucial role in the housing market by fostering a stable and sustainable environment for home financing, ultimately contributing to economic growth and stability in the housing sector. This focus on insuring loans is distinct from simply guaranteeing them, lending money, or selling loans, which are not the primary functions of the FHA.

9. Which of these would be considered functional obsolescence?

A. A bedroom through bedroom floor plan

B. A home facing a busy four-lane highway

C. A home with a broken furnace

D. A home with severe structural damage to the foundation

Functional obsolescence refers to the loss of value in a property due to outdated features or design flaws that lessen its utility or desirability in the current market. A bedroom-through-bedroom floor plan is often viewed as an example of functional obsolescence because it typically lacks privacy, can be seen as awkward, and may not meet the expectations of modern homebuyers. In contemporary home design, having a more open layout or clearly defined, private bedrooms is preferred. Therefore, the bedroom-through-bedroom layout may be considered less functional or desirable, contributing to a decrease in the home's market value. The other options, while they represent issues impacting the property's value, do not fit within the scope of functional obsolescence. For instance, a home facing a busy highway might be more about location-related factors rather than an inherent design flaw. A home with a broken furnace would likely fall under physical depreciation or deferred maintenance rather than functional obsolescence, as this is a repairable issue. Similarly, severe structural damage to the foundation is a significant physical problem that would affect safety and livability, rather than an issue of outdated design or functionality.

10. A seller of a listed property instructs the broker not to show the property to a specific religious group. The broker should

A. Obey the instructions

B. Refuse and revoke the listing

C. Obey, but only if the client puts it in writing

D. Comply, provided that the religious group is not a corporation

When faced with instructions from a seller that could be discriminatory, such as not showing a property to a specific religious group, the broker has a professional and legal obligation to act in accordance with fair housing laws. These laws are designed to prevent discrimination based on factors such as religion, race, ethnicity, and other protected categories. Choosing to revoke the listing aligns with the principle that brokers and agents must promote equal housing opportunities and cannot facilitate or condone discriminatory practices. By refusing to comply with the seller's instructions, the broker upholds the ethical standards of their profession and ensures compliance with the law. Additionally, by revoking the listing, the broker is effectively distancing themselves from any potential legal ramifications that could arise from participating in discriminatory actions. This approach not only protects the broker's professional integrity but also safeguards the rights of all potential buyers, promoting inclusivity and fairness in the real estate market.

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:

<https://arizonarealestate.examzify.com>

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