

ARIZONA REAL ESTATE LICENSE PRACTICE EXAM (SAMPLE)

STUDY GUIDE



Prepare with structure. Pass with confidence



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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. Which of the following options qualifies as a security?**
 - A. Single family homes in an investment pool
 - B. More than six separate lots for sale
 - C. Land owned by a corporation
 - D. Single-family home listed by an LLC
- 2. What effect does an escrow overage have on closing costs for the buyer?**
 - A. Results in a refund
 - B. Increases the closing cost
 - C. Decreases the closing cost
 - D. Must be paid at closing
- 3. What is the capitalization rate for Tony's rental house, purchased for \$120,000 with a rent of \$1,200 per month and annual operating costs of \$1,800?**
 - A. 8.3%
 - B. 9.5%
 - C. 10.5%
 - D. 11.2%
- 4. How much of the judgment against Agent Sal could potentially be covered by the Real Estate Recovery Fund?**
 - A. \$25,000
 - B. \$30,000
 - C. \$50,000
 - D. \$70,000
- 5. What is the interest rate on Ivy's account with a balance of \$6,800 that earns \$68 monthly in interest?**
 - A. A. 5.6%
 - B. B. 8.3%
 - C. C. 10%
 - D. D. 12%

- 6. Brass markers posted to document elevation are called?**
- A. Benchmarks
 - B. Datum
 - C. Paradigms
 - D. Plats
- 7. What is the role of a loss payee in an insurance policy?**
- A. They are the party who pays the insurance premium
 - B. They receive the insurance proceeds if the property is damaged
 - C. They act as an additional party insured
 - D. They manage the homeowner's insurance claims
- 8. If you sign a contract to buy property from someone who does not own it, how is that contract described?**
- A. Unenforceable
 - B. Valid
 - C. Void
 - D. Voidable
- 9. In determining the value of property through the income approach, what is the primary metric used?**
- A. Gross rent multiplier
 - B. Net operating income
 - C. Comparative market analysis
 - D. Replacement cost
- 10. What type of notice is given prior to a foreclosure proceeding?**
- A. public notice
 - B. actual notice
 - C. constructive notice
 - D. email notice

Answers

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

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Explanations

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1. Which of the following options qualifies as a security?

A. Single family homes in an investment pool

- B. More than six separate lots for sale
- C. Land owned by a corporation
- D. Single-family home listed by an LLC

A single-family home in an investment pool qualifies as a security because it involves the pooling of funds from multiple investors with the expectation of profits primarily from the efforts of others. This scenario aligns with the definition of a security, particularly under the criteria established by the Howey Test, which evaluates whether an investment contract exists. In this case, the investors are entrusting their money to a manager or promoter who is responsible for the operation and potential profitability of the investment pool, thus meeting the criteria of a security. In contrast, the other options do not embody the characteristics of a security as effectively. More than six separate lots for sale may not indicate an investment for profit based on the efforts of others but could simply be a matter of typical real estate transactions. Land owned by a corporation, while it may represent an ownership interest, does not necessarily mean that it functions as a security unless it is part of an investment scheme. A single-family home listed by an LLC may involve an ownership interest but does not inherently indicate an investment opportunity relying on the efforts of a managing party, thus distinguishing it from the requirements of security classification.

2. What effect does an escrow overage have on closing costs for the buyer?

A. Results in a refund

- B. Increases the closing cost
- C. Decreases the closing cost
- D. Must be paid at closing

An escrow overage occurs when the amount deposited into escrow for costs such as property taxes or insurance exceeds what is actually needed to cover those expenses. Typically, any surplus funds in escrow are returned to the buyer after all the necessary payments have been made. This means that the buyer receives a refund of the excess amounts once the closing process is complete. When the buyer receives this refund from the escrow overage, it decreases their overall financial burden associated with the closing of the property. This is why it is important to recognize that an escrow overage results in a positive financial aspect for the buyer, as they ultimately recover funds after the transaction is finalized. Understanding this concept helps buyers manage their expectations regarding closing costs and cash flow during the purchase of a property.

3. What is the capitalization rate for Tony's rental house, purchased for \$120,000 with a rent of \$1,200 per month and annual operating costs of \$1,800?

- A. 8.3%
- B. 9.5%
- C. 10.5%**
- D. 11.2%

To determine the capitalization rate, also known as the cap rate, for Tony's rental house, you need to calculate the net operating income (NOI) and then divide that by the purchase price of the property. First, calculate the annual rental income. Since the rent is \$1,200 per month, you multiply this by 12 to find the total annual rental income: Annual Rental Income = $\$1,200 \times 12 = \$14,400$. Next, subtract the annual operating costs from the annual rental income to find the net operating income: Net Operating Income (NOI) = Annual Rental Income - Annual Operating Costs $\text{NOI} = \$14,400 - \$1,800 = \$12,600$. Now, to find the cap rate, divide the NOI by the purchase price of the property and multiply by 100 to convert it into a percentage: Cap Rate = $(\text{NOI} / \text{Purchase Price}) \times 100$ Cap Rate = $(\$12,600 / \$120,000) \times 100$. This calculation results in: Cap Rate = 0.105 or 10.5%. This indicates that a 10.5% return can be expected on the investment based on the net income generated from the property

4. How much of the judgment against Agent Sal could potentially be covered by the Real Estate Recovery Fund?

- A. \$25,000
- B. \$30,000**
- C. \$50,000
- D. \$70,000

The amount that can potentially be covered by the Real Estate Recovery Fund for judgments against a licensed real estate agent depends on specific state laws governing the fund. In Arizona, the Recovery Fund provides protection to consumers who have suffered losses due to the actions of a licensee, like Agent Sal. Specifically, the fund can cover up to \$30,000 for a single judgment against a qualifying real estate agent. This amount is designed to protect consumers against financial loss resulting from dishonest behavior by real estate professionals. In this case, since the correct answer is \$30,000, it aligns with Arizona's regulations regarding the maximum recovery amount per individual judgment, providing a safety net to consumers in real estate transactions.

5. What is the interest rate on Ivy's account with a balance of \$6,800 that earns \$68 monthly in interest?

- A. A. 5.6%
- B. B. 8.3%
- C. C. 10%
- D. D. 12%**

To determine the interest rate on Ivy's account, we can use the formula for calculating the monthly interest rate. The formula is as follows: $\text{Interest Rate} = \left(\frac{\text{Interest Earned}}{\text{Account Balance}} \right) \times 100$. In this case, Ivy earns \$68 in interest monthly on her account balance of \$6,800. Applying the values to the formula gives us: $\text{Interest Rate} = \left(\frac{68}{6800} \right) \times 100$. Calculating the fraction yields: $\frac{68}{6800} = 0.01$. Now, multiplying this by 100 converts the decimal to a percentage: $0.01 \times 100 = 1\%$. This figure represents the monthly interest rate. However, to find the annual interest rate, which is typically how interest is expressed, we multiply the monthly interest rate by 12: $1\% \times 12 = 12\%$. This shows that the annual interest rate is 12%. Thus, the correct choice is the one that

6. Brass markers posted to document elevation are called?

- A. Benchmarks**
- B. Datum
- C. Paradigms
- D. Plats

Brass markers used to document elevation are known as benchmarks. These markers are essential in surveying and are established reference points that indicate a specific elevation above a standard reference point, usually sea level. Benchmarks provide consistency and accuracy in measuring heights and are crucial in various applications, including construction, mapping, and other engineering works. Other terms like datum refer to a reference point or surface, typically used in a more abstract sense to denote the level from which measurements are derived, rather than a physical marker. Paradigms and plats, while important in different contexts (with plats representing maps of land subdivisions and paradigms relating to models or frameworks), do not refer to physical markers for elevation. Therefore, benchmarks are specifically defined and recognized for their function in representing exact points of elevation, making them the correct answer.

7. What is the role of a loss payee in an insurance policy?

- A. They are the party who pays the insurance premium
- B. They receive the insurance proceeds if the property is damaged**
- C. They act as an additional party insured
- D. They manage the homeowner's insurance claims

The role of a loss payee in an insurance policy is to receive the insurance proceeds if the property is damaged. When a property is insured, the loss payee, typically a lender or financial institution, is designated to receive compensation from the insurance policy in the event of a loss, such as damage to the property. This designation ensures that the financial interests of the lender are protected because they hold a financial stake in the property. In this context, the loss payee is important because it may allow them to recover their investment or loan amount in case the insured property suffers a loss. This is especially crucial when the property serves as collateral for a loan. The other options do not accurately represent the role of a loss payee: the party who pays the insurance premium is typically the policyholder, acting as an additional insured refers to someone covered by the policy's terms outside of the main insured, and managing homeowner's insurance claims is primarily the responsibility of the policyholder and the insurance company rather than the loss payee.

8. If you sign a contract to buy property from someone who does not own it, how is that contract described?

- A. Unenforceable
- B. Valid
- C. Void**
- D. Voidable

When you sign a contract to buy property from someone who does not own it, the contract is identified as void. A void contract is one that lacks legal effect from the moment it is created, meaning it cannot be enforced by either party. In this scenario, since the seller does not have the legal title or ownership of the property, they cannot transfer any interest or rights to the buyer. Consequently, the fundamental requirement for a valid contract—that the seller has the authority to sell the property—is not met, rendering the contract void. In legal terms, contracts require that all parties involved have the capacity to enter into the agreement and that they are dealing with property they have the right to transfer. When these conditions are not satisfied, as is the case here, the contract cannot be upheld by law. This is crucial for understanding real estate transactions, as working with an owner or authorized agent for the property is essential to ensure the legitimacy of the agreement.

9. In determining the value of property through the income approach, what is the primary metric used?

- A. Gross rent multiplier
- B. Net operating income**
- C. Comparative market analysis
- D. Replacement cost

The primary metric used in the income approach to determining the value of property is net operating income (NOI). This method values an investment property based on the income it generates. The income approach is particularly relevant for income-producing properties, such as rental buildings, apartments, and commercial real estate. Net operating income is calculated by subtracting operating expenses from the gross income the property generates. This figure reflects the property's potential profitability, allowing investors to estimate the value based on future cash flows. The formula essentially evaluates the property's capacity to produce income, which is critical for potential buyers or investors assessing the return on their investment. While the gross rent multiplier is a metric that can provide additional insights, it is secondary to the NOI. Similarly, comparative market analysis and replacement cost are different valuation methods. Comparative market analysis focuses on recent sales of similar properties to establish value, while replacement cost involves calculating how much it would cost to replace the property. The income approach, with NOI at its core, emphasizes the revenue-generating potential of the property, making it the primary metric in this valuation method.

10. What type of notice is given prior to a foreclosure proceeding?

- A. public notice
- B. actual notice
- C. constructive notice**
- D. email notice

In the context of foreclosure proceedings, constructive notice is the correct term used to describe the type of notice given. Constructive notice refers to legal notification that is considered sufficient for the purposes of the law, even if the party did not receive it directly. This is typically achieved through public records or announcements, such as publications in newspapers or notices filed with the county recorder's office. Constructive notice ensures that the public is made aware of the foreclosure action, thus providing a level of transparency and allowing other parties who may have an interest in the property to take appropriate action if they choose. This serves to protect the rights of all parties involved by ensuring that they are aware of any legal actions that may affect their interests in the property. Public notice is a closely related concept but refers specifically to the act of informing the public at large, such as through newspaper ads, without the legal implications attached to constructive notice. Actual notice implies that the party has been directly informed, which contrasts with the nature of constructive notice, where knowledge is presumed due to the public nature of the information. Email notice does not apply here, as foreclosures typically follow statutory requirements that may not involve electronic notification. Understanding these terms is crucial for those preparing for their real estate license exam

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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!

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