

Arizona School of Real Estate and Business (ASREB) Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

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SAMPLE

Questions

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- 1. Creditworthiness is essential for which aspect of real estate?**
 - A. Determining property value**
 - B. Assessing the risk of mortgage lending**
 - C. Selecting real estate investment options**
 - D. Calculating tax obligations**
- 2. How many days must a tenant give the owner to cure a minor defect before exercising self-help?**
 - A. 3 days**
 - B. 5 days**
 - C. 7 days**
 - D. 10 days**
- 3. What is a "real estate investment trust" (REIT)?**
 - A. A company that exclusively deals in residential properties**
 - B. A company that owns, operates, or finances income-producing real estate and allows investors to buy shares**
 - C. A government agency that regulates investments**
 - D. A non-profit organization that offers housing assistance**
- 4. A company that acts as an intermediary between a lender and an appraiser is a(n)**
 - A. full service appraisal company**
 - B. real estate brokerage company**
 - C. appraisal management company**
 - D. appraisal evaluation company**
- 5. How is liquidation value defined in real estate?**
 - A. The market value of a well-maintained property**
 - B. The estimated amount received when selling quickly**
 - C. The price set in a long-term lease**
 - D. The original purchase price of the property**

- 6. What is defined as an act of adapting property to meet specific legal and zoning requirements?**
- A. Inspection**
 - B. Certification**
 - C. Compliance**
 - D. Appraisal**
- 7. What must a tenant provide before undertaking repairs under the self-help provision?**
- A. Written notice of intent**
 - B. Proof of repair costs**
 - C. Advance payment to the landlord**
 - D. A reasonable cure period**
- 8. What zoning classification might prohibit commercial development?**
- A. Residential zoning**
 - B. Agricultural zoning**
 - C. Industrial zoning**
 - D. Mixed-use zoning**
- 9. Who is considered the "beneficiary" in a deed of trust?**
- A. The property owner who receives the title**
 - B. The borrower who secures the loan**
 - C. The lender or creditor who benefits from the loan**
 - D. The real estate agent facilitating the transaction**
- 10. When purchasing land interstate, how long does a buyer have to rescind under the Federal Interstate Land Full Disclosure Act?**
- A. 3 days after signing the contract**
 - B. Until the property is inspected by the buyer**
 - C. Within 7 days of receiving a property report**
 - D. Within 6 months of bought sight unseen**

Answers

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

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Explanations

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1. Creditworthiness is essential for which aspect of real estate?

- A. Determining property value**
- B. Assessing the risk of mortgage lending**
- C. Selecting real estate investment options**
- D. Calculating tax obligations**

Creditworthiness is a crucial factor in assessing the risk of mortgage lending. Lenders evaluate an individual's creditworthiness to determine their likelihood of repaying a loan. This assessment involves analyzing credit reports, scores, income, and debt levels to gauge the risk associated with lending money for real estate purchases. A borrower with strong creditworthiness is generally considered less of a risk, leading to more favorable loan terms, such as lower interest rates and higher borrowing amounts. In the context of real estate, understanding the creditworthiness of potential buyers helps lenders make informed decisions about lending practices. It directly influences the approval process for mortgages, determining whether a borrower can qualify for a loan or if they may require a larger down payment or higher interest rate due to perceived risk. This focus on creditworthiness is foundational to the mortgage lending process, as it protects lenders from losses while enabling buyers to purchase properties.

2. How many days must a tenant give the owner to cure a minor defect before exercising self-help?

- A. 3 days**
- B. 5 days**
- C. 7 days**
- D. 10 days**

A tenant is required to give the owner a specific amount of time to remedy a minor defect before the tenant can take matters into their own hands, often referred to as exercising self-help. According to Arizona law, a tenant must provide the landlord with a notice that identifies the minor defect and allows for a curing period. This period is set at ten days, giving the landlord sufficient time to correct the issue before the tenant resorts to self-help measures. Allowing ten days recognizes the landlord's right to address the property issue in a reasonable timeframe while balancing the tenant's need for a safe and functional living environment.

3. What is a "real estate investment trust" (REIT)?

- A. A company that exclusively deals in residential properties
- B. A company that owns, operates, or finances income-producing real estate and allows investors to buy shares**
- C. A government agency that regulates investments
- D. A non-profit organization that offers housing assistance

A "real estate investment trust" (REIT) is best defined as a company that owns, operates, or finances income-producing real estate and allows investors to buy shares in this real estate portfolio. The structure of a REIT enables individual investors to earn a share of the income produced through commercial real estate ownership without actually having to buy, manage, or finance any properties themselves. REITs typically generate revenue through leasing space and collecting rents on the properties they own, which they then distribute as dividends to their shareholders. This investment vehicle provides individuals with an accessible opportunity to participate in the real estate market, as well as the potential for liquidity due to shares being traded on major stock exchanges. Therefore, option B accurately captures the essence and function of REITs, showing their role in facilitating the investment in income-producing real estate through a corporate structure that appeals to a broader range of investors.

4. A company that acts as an intermediary between a lender and an appraiser is a(n)

- A. full service appraisal company
- B. real estate brokerage company
- C. appraisal management company**
- D. appraisal evaluation company

A company that acts as an intermediary between a lender and an appraiser is specifically referred to as an appraisal management company. This type of company plays a crucial role in the real estate transaction process by managing the appraisal process on behalf of lenders. They help ensure that appraisals are conducted by qualified appraisers while also maintaining compliance with regulations that govern the appraisal industry. Appraisal management companies streamline communication between lenders and appraisers, which can enhance efficiency and help prevent potential conflicts of interest. They are often tasked with selecting appraisers, managing the assignment, and ensuring the timely completion of appraisals, therefore serving an essential function in lending practices. The other options do not accurately describe this intermediary role. A full service appraisal company typically performs appraisals directly rather than managing appraisers for lenders. A real estate brokerage company focuses on facilitating real estate transactions and does not specialize in managing appraisals. An appraisal evaluation company may provide opinions on property values but does not fulfill the intermediary function between lenders and appraisers that an appraisal management company does.

5. How is liquidation value defined in real estate?

- A. The market value of a well-maintained property**
- B. The estimated amount received when selling quickly**
- C. The price set in a long-term lease**
- D. The original purchase price of the property**

Liquidation value in real estate refers to the estimated amount that an owner can expect to receive from the sale of a property if it needs to be sold quickly, often under less-than-ideal conditions. This often arises in scenarios where a property is foreclosed, in probate, or when an owner is in a situation where they must sell quickly due to financial distress. This value is typically lower than the market value of a well-maintained property because it takes into account the urgency of the sale and the potential discounts necessary to attract buyers quickly. Therefore, the focus here is on how quickly the sale can be accomplished and the price that could realistically be obtained in such a scenario. In contrast, the other options refer to different concepts. The market value reflects what a well-maintained property would sell for under normal market conditions, which does not account for the discount typically associated with a quick sale. The price set in a long-term lease is unrelated to the value derived from selling the property, and the original purchase price does not necessarily reflect its current value or liquidation potential. Thus, the definition of liquidation value as the estimated amount received when selling quickly clearly aligns with the correct answer.

6. What is defined as an act of adapting property to meet specific legal and zoning requirements?

- A. Inspection**
- B. Certification**
- C. Compliance**
- D. Appraisal**

The term that best defines the act of adapting property to meet specific legal and zoning requirements is compliance. This process involves ensuring that the property adheres to the rules and regulations set forth by local authorities, which can include zoning laws, building codes, and other legal standards. Compliance is essential in real estate as it helps maintain safety, order, and the intended use of properties within a community. Inspection refers to the examination of a property to assess its condition and identify issues, rather than the act of adapting it to meet requirements. Certification generally relates to the formal recognition or verification that certain standards have been met, often after compliance has already been established. Appraisal involves determining the value of a property, which does not directly pertain to adapting the property to meet legal standards. Thus, compliance is the most appropriate choice, as it directly addresses the requirement to modify a property in accordance with legal and zoning mandates.

7. What must a tenant provide before undertaking repairs under the self-help provision?

- A. Written notice of intent**
- B. Proof of repair costs**
- C. Advance payment to the landlord**
- D. A reasonable cure period**

A tenant must provide a reasonable cure period before undertaking repairs under the self-help provision. This requirement is put in place to give the landlord a chance to address the issue themselves before the tenant takes action. It is a safeguard intended to ensure that landlords are aware of the problems and have the opportunity to rectify them, thereby promoting good communication between landlords and tenants. This reasonable cure period essentially allows landlords to respond to maintenance needs or repairs within a specified timeframe. It underscores the importance of the landlord's right to remedy the situation and reinforces the concept that the self-help provision should not be invoked as an immediate recourse without notice to the landlord. This practice supports a cooperative landlord-tenant relationship and allows for the possibility of resolving issues without escalating to self-help measures, which could lead to disputes. Other options do not correctly reflect the typical requirements tied to self-help provisions. For instance, while written notice of intent might seem practical, it is often not specifically mandated in all situations regarding self-help repairs. Proof of repair costs and advance payment to the landlord may not be necessary prerequisites in the context of a self-help provision, which focuses on the tenant's right to install repairs after proper notice and curative opportunity has been given to the landlord.

8. What zoning classification might prohibit commercial development?

- A. Residential zoning**
- B. Agricultural zoning**
- C. Industrial zoning**
- D. Mixed-use zoning**

Residential zoning is typically designated for areas where housing is the primary use. This classification is intended to ensure that the environment remains suitable for residential purposes, promoting community living, and often includes protective measures to maintain the character of the neighborhoods. In such zones, commercial development is usually limited or completely prohibited to prevent disruptions caused by the noise, traffic, and light pollution that businesses might introduce. Agricultural zoning, while focused on farming activities, may allow for some commercial uses related to agriculture but is generally less restrictive towards agricultural-related businesses than residential areas. Industrial zoning specifically allows for manufacturing, warehousing, and distribution, aiming to create spaces suited for industrial activities. Mixed-use zoning encourages a blend of residential, commercial, and sometimes industrial uses, promoting walkable communities where people can live, work, and play. Therefore, residential zoning stands out as the classification primarily aimed at safeguarding residential neighborhoods from commercial encroachment.

9. Who is considered the "beneficiary" in a deed of trust?

- A. The property owner who receives the title**
- B. The borrower who secures the loan**
- C. The lender or creditor who benefits from the loan**
- D. The real estate agent facilitating the transaction**

In a deed of trust, the beneficiary is the lender or creditor who benefits from the loan. This arrangement is used in real estate financing where the borrower (the property owner) gives a secured interest in the property to a trustee, who holds the title on behalf of the lender. The lender is identified as the beneficiary because they are the party that receives the payment and has a financial interest in ensuring the loan is repaid. If the borrower defaults on the loan, the beneficiary can instruct the trustee to initiate foreclosure proceedings and recover the owed amount from the sale of the property. This structure provides a level of security for the lender while allowing the borrower to access funds to purchase the property. In contrast, while the property owner and borrower may seem intertwined, they do not directly benefit from the loan's repayment in the same sense as the beneficiary. The real estate agent, meanwhile, plays a separate role in facilitating the transaction and is not involved in the financial arrangements outlined in the deed of trust.

10. When purchasing land interstate, how long does a buyer have to rescind under the Federal Interstate Land Full Disclosure Act?

- A. 3 days after signing the contract**
- B. Until the property is inspected by the buyer**
- C. Within 7 days of receiving a property report**
- D. Within 6 months of bought sight unseen**

Under the Federal Interstate Land Full Disclosure Act, a buyer has the right to rescind a purchase within seven days of receiving a property report. This regulation is designed to protect consumers by ensuring they have ample opportunity to review important information about the property and make an informed decision. The property report typically includes vital details about the property, such as its location, zoning, and other pertinent characteristics that a buyer needs to know to assess the value and suitability of the land for their needs. The seven-day window provides a reasonable timeframe for buyers to consider this information before making a financial commitment, thus safeguarding consumers against potential fraud or misrepresentation. This is particularly important in interstate transactions where buyers might not have firsthand experience with the property or its area.