

ARIZONA STATE UNIVERSITY (ASU) REA380 REAL ESTATE FUNDAMENTALS EXAM 2 PRACTICE EXAM (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 happens if a property is destroyed before closing?**
 - A. The buyer must pay for damages
 - B. The seller is responsible for repairs
 - C. The buyer and seller must renegotiate
 - D. The sales contract should specify the outcome

- 2. What is the fair housing law?**
 - A. A law that prohibits discrimination in housing based on race, color, religion, sex, national origin, familial status, or disability
 - B. A regulation that controls the prices of rental properties
 - C. A guideline for evaluating real estate investments
 - D. A policy that encourages home ownership among low-income families

- 3. What term corresponds to a property's "value in exchange" as per classical economic evaluation?**
 - A. Investment value
 - B. Market value
 - C. Book value
 - D. Liquidation value

- 4. What is a lease?**
 - A. A legal contract between a landlord and a tenant outlining terms of rental
 - B. A contract for purchasing property
 - C. A document for transferring ownership
 - D. A verbal agreement between roommates

- 5. What information typically appears in a property disclosure statement?**
 - A. The seller's financial information
 - B. Known issues about the property
 - C. The buyer's credit score
 - D. Neighborhood crime rates

- 6. In real estate, what is the role of a third-party trustee in a deed of trust?**
- A. To manage the sale of the property
 - B. To hold the legal title as security for the loan
 - C. To assess the property value
 - D. To facilitate communication between buyer and seller
- 7. What is one key benefit of using a deed of trust instead of a traditional mortgage?**
- A. Reduced interest rates
 - B. Involvement of a trustee for greater security
 - C. Immediate transfer of ownership
 - D. No need for closing costs
- 8. What is one consideration when assessing the potential return on investment in real estate?**
- A. Current interest rates
 - B. Geographic location
 - C. Property management services
 - D. Construction material costs
- 9. Which of the following approaches focuses on estimating depreciation when valuing a property?**
- A. Sales Comparison Approach
 - B. Income Approach
 - C. Cost Approach
 - D. Market Approach
- 10. How does the concept of "situs" relate to real estate?**
- A. It is a method of property valuation
 - B. It refers to the location of the property
 - C. It describes the property's tax rate
 - D. It indicates ownership rights

Answers

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

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Explanations

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1. What happens if a property is destroyed before closing?

- A. The buyer must pay for damages
- B. The seller is responsible for repairs
- C. The buyer and seller must renegotiate
- D. The sales contract should specify the outcome**

When a property is destroyed before closing, the outcome is typically determined by the terms outlined in the sales contract. This document often includes clauses that address how such situations will be handled, including at what point risk is transferred from seller to buyer and whether the seller is obligated to repair damages before the sale is finalized. If the contract specifies what happens in the event of destruction, it guides both parties on their responsibilities and options. For example, the contract might indicate that the seller retains the responsibility for repairs until closing, or it may allow the buyer to claim damages or renegotiate certain terms based on the condition of the property. In absence of specific contractual terms, the parties may find themselves in a situation where they need to negotiate new terms, but the clarity provided by a well-drafted contract is key to avoiding disputes. Understanding how contracts function in these scenarios is crucial in real estate transactions, emphasizing the importance of specificity in legal agreements.

2. What is the fair housing law?

- A. A law that prohibits discrimination in housing based on race, color, religion, sex, national origin, familial status, or disability**
- B. A regulation that controls the prices of rental properties
- C. A guideline for evaluating real estate investments
- D. A policy that encourages home ownership among low-income families

The fair housing law is fundamentally designed to eliminate discrimination in the housing market, ensuring that individuals are treated equally regardless of their race, color, religion, sex, national origin, familial status, or disability. This legal framework arose from the Civil Rights Movement and the Fair Housing Act of 1968, which aim to promote equal access to housing and opportunities for all people. By prohibiting discriminatory practices in the sale, rental, and financing of housing, the law serves as a critical tool in fostering an inclusive society. It covers various aspects of housing transactions, including advertising, sales practices, and lending, helping to guarantee that everyone has the right to choose where they live without facing discrimination based on the aforementioned characteristics. The other options discuss various aspects of housing and real estate. However, they do not encapsulate the essence of fair housing law, which is focused on equal treatment and non-discrimination rather than price control, guiding investment evaluations, or promoting home ownership specifically for low-income families.

3. What term corresponds to a property's "value in exchange" as per classical economic evaluation?

- A. Investment value
- B. Market value**
- C. Book value
- D. Liquidation value

The term that corresponds to a property's "value in exchange" according to classical economic evaluation is market value. This concept refers to the price that a property would likely sell for on the open market, given that both the buyer and seller are informed and willing to engage in the transaction. Market value is influenced by various factors, including the property's location, condition, and current demand for real estate in the area. In the context of real estate, market value serves as a crucial benchmark for appraisals, sales comparisons, and investment analyses, allowing parties to gauge what they can reasonably expect a property to command in a typical selling scenario. Understanding market value is essential for making informed decisions in real estate transactions and investments. Other concepts, like investment value, focus more on an individual investor's perspective on what a property is worth to them based on their investment strategies, while book value represents the value at which an asset is carried on the balance sheet, reflecting original cost minus depreciation. Liquidation value refers to the estimated amount that could be obtained from the sale of an asset if it were sold quickly, often at a discount. These distinctions highlight why market value is the correct answer in the context of valuing a property in exchange scenarios.

4. What is a lease?

- A. A legal contract between a landlord and a tenant outlining terms of rental**
- B. A contract for purchasing property
- C. A document for transferring ownership
- D. A verbal agreement between roommates

A lease is fundamentally understood as a legal contract between a landlord and a tenant that outlines the specific terms of rental for a property. This agreement is essential as it defines the rights and responsibilities of both parties, including the duration of the rental period, the amount of rent to be paid, maintenance duties, and any restrictions or conditions related to the property. The lease serves as a safeguard for both the landlord and tenant, providing legal recourse in case either party fails to uphold the terms agreed upon. Clear terms outlined in a lease help prevent misunderstandings and disputes, which is crucial for a successful landlord-tenant relationship. While options related to purchasing property or transferring ownership pertain to the broader real estate context, they do not describe a lease. A verbal agreement may exist between roommates but lacks the legal formalities and protections that a written lease provides. Thus, the definition aligns closely with the established understanding of a lease in real estate.

5. What information typically appears in a property disclosure statement?

- A. The seller's financial information
- B. Known issues about the property**
- C. The buyer's credit score
- D. Neighborhood crime rates

A property disclosure statement is a critical document in real estate transactions, as it outlines significant details regarding the property's condition. Typically, this statement includes known issues about the property, which might encompass structural problems, plumbing or electrical deficiencies, roof leaks, pest infestations, and other conditions that could affect the property's value or safety. This transparency is essential as it protects both the seller from future liability related to undisclosed issues and informs the buyer of any potential problems they may be inheriting. While the other options could be relevant in various real estate contexts, they do not fit the purpose of a property disclosure statement. Financial information of the seller is typically private and not disclosed to the buyer. The buyer's credit score is also confidential and not something that is included in a property disclosure. Finally, neighborhood crime rates, although important for buyers to consider, are not generally a part of the property's physical condition and thus not included in the disclosure concerning the property itself. The focus of the property disclosure statement is specifically on the condition and known issues related to the property for sale.

6. In real estate, what is the role of a third-party trustee in a deed of trust?

- A. To manage the sale of the property
- B. To hold the legal title as security for the loan**
- C. To assess the property value
- D. To facilitate communication between buyer and seller

The role of a third-party trustee in a deed of trust is to hold the legal title to the property as a security for the loan. This arrangement involves three parties: the borrower (trustor), the lender (beneficiary), and the trustee. The trustee acts as an independent third party who holds the title until the loan is repaid. If the borrower defaults on the loan, the trustee has the authority to initiate the foreclosure process, thereby allowing the lender to recover the investment. By holding title, the trustee protects the interests of all parties involved, ensuring that the lender has a claim to the property in the event of default while also safeguarding the borrower's rights until the loan obligation is fulfilled. This function is essential in real estate transactions involving financing, as it provides a clear legal framework for securing loans against real property.

7. What is one key benefit of using a deed of trust instead of a traditional mortgage?

- A. Reduced interest rates
- B. Involvement of a trustee for greater security**
- C. Immediate transfer of ownership
- D. No need for closing costs

One key benefit of using a deed of trust instead of a traditional mortgage is the involvement of a trustee for greater security. In a deed of trust, there is a third-party trustee who holds the legal title to the property until the borrower pays off the debt. This arrangement provides an additional level of security for both the lender and the borrower. If the borrower defaults on the loan, the trustee has the authority to initiate a non-judicial foreclosure process, which can be faster and less costly than a traditional judicial foreclosure that may be required with a mortgage. This trustee involvement not only ensures that the interests of both parties are maintained but also streamlines the process of resolving defaults, making it a beneficial option for lenders seeking efficient recovery of their investment. The other options do not accurately represent the advantages of a deed of trust. Reduced interest rates, for example, are determined by market conditions and borrower creditworthiness rather than the choice between a deed of trust and a mortgage. Immediate transfer of ownership is not a feature associated with deeds of trust; instead, it typically retains ownership until the debt is paid in full. Closing costs occur with both financing options, so the claim of having no need for closing costs is misleading.

8. What is one consideration when assessing the potential return on investment in real estate?

- A. Current interest rates**
- B. Geographic location
- C. Property management services
- D. Construction material costs

When evaluating the potential return on investment (ROI) in real estate, current interest rates play a significant role. Interest rates directly affect the cost of borrowing money to finance the purchase of property. Higher interest rates lead to increased mortgage payments, reducing the overall cash flow and ROI. Conversely, lower interest rates can make borrowing more affordable, which can enhance cash flow and attract more investors to the market. Additionally, interest rates impact the overall real estate market conditions, including property values and the strategy of potential buyers and investors. Understanding current interest rates helps investors analyze their financing options, the potential for appreciation, and how these factors will influence their investment strategy and long-term return expectations. While geographic location, property management services, and construction material costs are also important considerations, they don't have the same immediate and widespread impact on overall investment returns as current interest rates. These factors may influence specific property performance or operational costs but start with the fundamental analysis of financing, which is directly tied to interest rates.

9. Which of the following approaches focuses on estimating depreciation when valuing a property?

- A. Sales Comparison Approach
- B. Income Approach
- C. Cost Approach**
- D. Market Approach

The Cost Approach is the correct choice because it explicitly involves estimating the depreciation of a property as part of its overall valuation process. This approach begins with calculating the cost to reproduce or replace the property, and then it accounts for depreciation, which can be physical, functional, or economic in nature. By incorporating depreciation, the Cost Approach enables appraisers to arrive at a more accurate value based on the current condition and age of the property. This is essential for assessing properties where direct market data may be limited or when dealing with unique structures. The Sales Comparison Approach primarily relies on comparing a property to similar properties that have recently sold in the market, focusing on trends and prices without directly estimating depreciation for the subject property. The Income Approach assesses value based on the expected income a property can generate, typically by analyzing the net operating income and applying a capitalization rate, without a central emphasis on depreciation. The Market Approach, while similar in concept to the Sales Comparison Approach, also seeks to determine value based on market trends but does not specifically focus on depreciation as part of the valuation methodology.

10. How does the concept of "situs" relate to real estate?

- A. It is a method of property valuation
- B. It refers to the location of the property**
- C. It describes the property's tax rate
- D. It indicates ownership rights

The concept of "situs" directly pertains to the location of a property and is significant in the field of real estate. Situs refers not only to the physical position of a property but also encompasses the geographical and environmental aspects that can influence its value and utility. Factors such as proximity to amenities, schools, transportation, and neighborhood characteristics are all integral to understanding a property's situs. The importance of situs lies in its influence on property values, zoning regulations, market demand, and overall desirability. An advantageous situs can enhance a property's marketability and potential for appreciation, while a less favorable location may lead to depreciation or decreased interest from buyers. Property valuation, tax rates, and ownership rights, while important concepts within real estate, do not directly define situs. Instead, they are separate considerations that may be influenced by the location of the property described by situs. This highlights the critical role situs plays in shaping the dynamics of real estate markets and investment decisions.

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://asu-rea380exam2.examzify.com>

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

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