

CALIFORNIA REAL ESTATE BROKER 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 method is not typically used for appraising commercial property?**
 - A. Cost approach
 - B. Sales comparison approach
 - C. Income approach
 - D. Comparative market analysis
- 2. What process allows Owner A to gain land area when the high water mark in a river recedes?**
 - A. Accretion
 - B. Reliction
 - C. Abolition
 - D. Avulsion
- 3. What type of relationship does an escrow agent have with the principals involved in a transaction?**
 - A. Independent contractor
 - B. Limited agency
 - C. Full agency
 - D. General representation
- 4. Which of the following is a consequence for failing to disclose the involvement of a broker in a property sale ad?**
 - A. Loss of commission
 - B. Legal penalties
 - C. Perceived dishonesty
 - D. All of the above
- 5. A broker seeking to profit beyond their normal commission is violating which fiduciary principle?**
 - A. Loyalty
 - B. Care
 - C. Confidentiality
 - D. Disclosure

- 6. What is an exception to the potential benefits of a sale-leaseback arrangement?**
- A. Tax advantages
 - B. Liquidity of the investment
 - C. Access to capital
 - D. Long-term lease agreement
- 7. At what LTV ratio does PMI typically drop off for a borrower?**
- A. 80%
 - B. 75%
 - C. 70%
 - D. 85%
- 8. Which statement is true regarding the FHA?**
- A. The FHA lends money directly
 - B. The FHA does not lend money
 - C. The FHA guarantees all loans
 - D. The FHA sets interest rates
- 9. What do VA and FHA loan programs in California not do?**
- A. They lend money directly to borrowers
 - B. They provide direct financial assistance to buyers
 - C. They charge high interest rates for loans
 - D. They do not lend money directly by these agencies
- 10. What should Broker A do if he becomes interested in buying a property he listed?**
- A. Notify the buyer in person
 - B. Disclose his interest in writing to the owner
 - C. Cancel the listing
 - D. Lower the property's price

Answers

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

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Explanations

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1. Which method is not typically used for appraising commercial property?

- A. Cost approach
- B. Sales comparison approach
- C. Income approach
- D. Comparative market analysis**

The comparative market analysis (CMA) is primarily used for evaluating residential properties, rather than commercial properties. This method involves assessing recent sales of similar properties in the same area to determine a property's market value, making it more applicable in a residential context where property characteristics such as size, style, and condition can easily be compared. In contrast, the cost approach, sales comparison approach, and income approach are all methodologies routinely employed in the appraisal of commercial properties. The cost approach considers what it would cost to replace or reproduce a property and often includes depreciation calculations, which can be important for commercial property appraisals. The sales comparison approach, while more common in residential evaluations, is still utilized for commercial properties when there are sufficient comparable sales available. The income approach is particularly vital for commercial appraisals since it focuses on the potential income the property can generate, which is a crucial factor for investors and lenders in assessing value. Therefore, CMA is not typically used for appraising commercial property due to its residential focus.

2. What process allows Owner A to gain land area when the high water mark in a river recedes?

- A. Accretion
- B. Reliction**
- C. Abolition
- D. Avulsion

The process that allows Owner A to gain land area when the high water mark in a river recedes is known as reliction. Reliction occurs when water levels decrease, revealing previously submerged land. This situation grants the landowner the rights to claim that newly exposed land as part of their property, thus increasing their land area. Understanding reliction is crucial in the context of property rights because it directly impacts ownership as water bodies change their boundaries. It is a gradual process that contrasts with other mechanisms, ensuring that owners can capitalize on changes to land usage as water marks shift over time. This principle underlines a fundamental aspect of land ownership near waterways in California.

3. What type of relationship does an escrow agent have with the principals involved in a transaction?

- A. Independent contractor
- B. Limited agency**
- C. Full agency
- D. General representation

An escrow agent has a limited agency relationship with the principals involved in a transaction. This means that the escrow agent is entrusted with certain duties and responsibilities, specifically related to the handling of the funds and documents during the escrow process. However, this relationship does not grant the escrow agent the authority to represent either party fully or to make decisions on their behalf beyond the specific terms of the escrow agreement. In a limited agency, the agent acts with a specific scope that is predetermined by the principals—essentially following their instructions while ensuring that the transaction proceeds smoothly and fairly. This aligns with the role of an escrow agent, who is responsible for holding and disbursing funds, ensuring that contractual obligations are met, and facilitating communication between the parties involved without taking sides or advocating for one party over the other. In contrast, an independent contractor relationship suggests a greater degree of autonomy with less obligation to any party, which does not capture the responsibilities of an escrow agent. Full agency would entail broader powers, including the ability to act on behalf of another party in various matters, which goes beyond the limited scope of an escrow agent's role. Lastly, general representation implies a much more comprehensive relationship that involves providing wider-ranging services, which is not applicable to the specific functions of

4. Which of the following is a consequence for failing to disclose the involvement of a broker in a property sale ad?

- A. Loss of commission
- B. Legal penalties
- C. Perceived dishonesty
- D. All of the above**

Failure to disclose a broker's involvement in a property sale ad can lead to several serious consequences. Firstly, loss of commission can occur because if a broker does not comply with disclosure requirements, they may forfeit their right to any commission earned from the transaction. This is a significant financial repercussion that directly affects the broker's income. In addition, there can be legal penalties imposed for not adhering to the legal and regulatory framework governing real estate transactions. Such penalties can include fines or other disciplinary actions from regulatory bodies, which are intended to protect consumers and maintain the integrity of the real estate profession. Moreover, failing to disclose such information can lead to a perception of dishonesty among clients and the general public. Trust is a crucial element in real estate transactions, and if a broker fails to be transparent about their involvement, it undermines their credibility and can damage their professional reputation. The combination of these outcomes—loss of commission, legal repercussions, and damage to reputation—illustrates the importance of compliance with disclosure requirements in the real estate industry. This is why the correct answer encompasses all these possible consequences.

5. A broker seeking to profit beyond their normal commission is violating which fiduciary principle?

- A. Loyalty**
- B. Care
- C. Confidentiality
- D. Disclosure

The principle of loyalty in a fiduciary relationship requires the broker to place the interests of their clients above their own. When a broker seeks to profit beyond their normal commission, they are prioritizing their own financial gain over the best interests of their client. This undermines the trust inherent in the broker-client relationship and compromises the broker's duty to act in good faith for the benefit of the client. In this context, a loyal broker would only accept compensation that aligns with the agreed-upon terms with their client, ensuring transparency and fairness in the transaction. The loyalty principle emphasizes that the broker should avoid situations where personal profit motives could conflict with the obligation to serve the client's interests. While care, confidentiality, and disclosure are also important fiduciary duties, they relate to different aspects of the broker-client relationship. Care involves providing competent advice and services, confidentiality pertains to protecting the client's private information, and disclosure focuses on informing the client of relevant facts that might affect their decisions. However, seeking unauthorized profits directly contravenes the fundamental duty of loyalty.

6. What is an exception to the potential benefits of a sale-leaseback arrangement?

- A. Tax advantages
- B. Liquidity of the investment**
- C. Access to capital
- D. Long-term lease agreement

A sale-leaseback arrangement is a financial transaction where one party sells an asset and simultaneously leases it back from the buyer, allowing the seller to continue using the asset while gaining immediate cash from the sale. In this context, while a sale-leaseback can provide various benefits such as tax advantages, access to capital, and the establishment of a long-term lease agreement, it may not readily enhance the liquidity of the investment. Liquidity refers to how easily an asset can be converted into cash without affecting its market price. In the case of a sale-leaseback, while the original seller does receive cash influx from the sale of the property, the liquidity of the investment can be diminished because the seller is now tied into a long-term lease agreement. This means that even though they have cash on hand, they may have limited flexibility to liquidate or use that cash effectively, as they still have ongoing obligations tied to the lease. Thus, while the arrangement can serve as a means to improve cash flow and provide liquidity initially, the longer-term nature of lease commitments may dampen potential future liquidity, as the seller is committed to certain payments and use of the asset. Therefore, among the options presented, the impact on liquidity stands out as a meaningful exception

7. At what LTV ratio does PMI typically drop off for a borrower?

- A. 80%
- B. 75%**
- C. 70%
- D. 85%

Private Mortgage Insurance (PMI) is usually required by lenders when a borrower makes a down payment of less than 20% of the home's purchase price. The purpose of PMI is to protect the lender in case the borrower defaults on the loan. Once the loan-to-value (LTV) ratio reaches 80%, many lenders allow the borrower to cancel PMI. This means that when the borrower has achieved an equity stake of 20% in their property (either through mortgage payments or appreciation in the home's value), they can typically request that the PMI be removed. This provides significant savings on the monthly mortgage payment, making homeownership more affordable over time. While some lenders may have different thresholds, the standard industry practice widely acknowledges 80% LTV as the point at which PMI usually drops off. Understanding this metric is essential for borrowers, as it can significantly affect their financial commitments and overall homeownership costs.

8. Which statement is true regarding the FHA?

- A. The FHA lends money directly
- B. The FHA does not lend money**
- C. The FHA guarantees all loans
- D. The FHA sets interest rates

The statement that the FHA does not lend money is correct because the Federal Housing Administration (FHA) is not a lender itself. Instead, its primary role is to provide mortgage insurance on loans made by approved lenders. This insurance protects lenders against the risk of default by borrowers. By doing so, the FHA enables lenders to offer loans to borrowers who might not qualify for conventional financing due to lower credit scores or smaller down payments. This insurance mechanism allows for increased access to homeownership, particularly for first-time buyers or those with limited financial resources. The FHA establishes guidelines that lenders must follow in order to qualify for this insurance, but it does not directly engage in the act of lending funds. As a result, the FHA plays a crucial role in shaping mortgage lending practices in the United States without actually being a lender itself.

9. What do VA and FHA loan programs in California not do?

- A. They lend money directly to borrowers
- B. They provide direct financial assistance to buyers
- C. They charge high interest rates for loans
- D. They do not lend money directly by these agencies**

The correct understanding of the VA (Veterans Affairs) and FHA (Federal Housing Administration) loan programs is that these programs do not lend money directly to borrowers. Instead, they provide insurance or guarantees to private lenders, which allows those lenders to offer more favorable loan terms to eligible borrowers. For example, the FHA insures loans made by approved lenders to borrowers, thereby reducing the risk for lenders and encouraging them to provide loans to individuals who may not qualify with traditional loans due to lower credit scores or smaller down payments. Similarly, the VA guarantees loans for veterans, allowing them to secure financing under favorable conditions without the need for a down payment. This structure means that while the VA and FHA facilitate access to financing for home purchases, they do not operate as banks or lenders. Consequently, options suggesting that they lend money directly or provide direct financial assistance misrepresent the role of these programs in the lending process. Additionally, these loan programs typically aim to benefit borrowers with competitive interest rates; therefore, claiming they charge high interest rates contradicts the purpose of these programs, which is to make home buying more accessible and affordable.

10. What should Broker A do if he becomes interested in buying a property he listed?

- A. Notify the buyer in person
- B. Disclose his interest in writing to the owner**
- C. Cancel the listing
- D. Lower the property's price

When Broker A develops an interest in purchasing a property he has listed, he has an ethical and legal obligation to disclose this interest to the property owner. Doing so in writing ensures that there is a clear and documented acknowledgment of his potential conflict of interest, which protects both the broker's credibility and the interests of the seller. The requirement for disclosure arises from the duty of care that brokers owe to their clients, which includes acting in the best interest of the client and maintaining transparency in all dealings. Writing the disclosure not only formalizes the conversation but also provides evidence that the broker has fulfilled his obligation, should any disputes arise in the future. This maintains a level of professionalism and trust in the transaction process. Proposing to notify the buyer in person does not address the primary concern of notifying the seller about the broker's interest, while canceling the listing or lowering the property price does not rectify the necessity for disclosure.

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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://californiarealestatebroker.examzify.com>

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

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