CALIFORNIA REAL ESTATE PRACTICE EXAM (SAMPLE)

STUDY GUIDE

Prepare with structure. Pass with confidence

Notice: Examzify makes every reasonable effort to obtain accurate, complete, and timely information about this product from reliable sources.

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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. All liens are encumbrances. All encumbrances are?

A. profits

B. limitations

C. benefits

D. leases

2. How is equity most accurately defined?

A. The initial loan amount minus the interest rate

B. The total monthly payments made so far

C. The value of the house minus all liens and encumbrances

D. The appraisal value of the home

3. If a local city passes a law prohibiting discrimination on the basis of sexual orientation, it is?

A. Invalid

B. Valid because it is stricter than the federal law

C. Only applicable to federal employees

D. Considered advisory

4. What are a buyer's rights if the CRV on a VA loan is less than the purchase price and the contract was signed prior to receiving the CRV?

A. Renegotiate the loan amount

B. Cancel the contract under specific contingencies

C. Pay the difference in cash

D. Obtain a supplemental loan

5. What is the apportionment of tax payments at closing known as?

A. Proration

B. Escrow

C. Adjustment

D. Closing cost

6. What must Seller A do regarding the deck when she decides to sell her house?

A. Nothing

B. Remove the deck

C. Advise the buyer of the situation

D. Obtain a retrospective building permit

7. Which of the following is not a characteristic of value?

A. Demand

B. Utility

C. Scarcity

D. Change

8. How can the stock in a mutual water company that is appurtenant to the land be transferred?

A. May only be transferred with the transfer of the property

B. Can be sold separately from the property

C. Is always transferred to the state after the sale

D. Can be retained by the seller after the property sale

9. During the statutory period required to claim ownership by adverse possession, what is true?

A. The original owner pays the taxes

B. The government pays the taxes

C. The claimant pays the taxes

D. No taxes are required

10. The process by which eminent domain occurs is called?

A. zoning

B. police power

C. condemnation

D. escheat

Answers

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

Explanations

1. All liens are encumbrances. All encumbrances are?

A. profits

B. limitations

C. benefits

D. leases

All encumbrances are limitations. A lien, which is a legal claim against someone's property, is a type of encumbrance. However, not all encumbrances are liens. For example, a mortgage is also considered an encumbrance, but it is not a lien. Therefore, option B, limitations, is the only correct answer as it encompasses both liens and other types of encumbrances. Options A, C, and D are incorrect because they do not accurately describe the relationship between liens and encumbrances.

2. How is equity most accurately defined?

A. The initial loan amount minus the interest rate

B. The total monthly payments made so far

C. The value of the house minus all liens and encumbrances

D. The appraisal value of the home

Equity is defined as the difference between the value of a property and the amount still owed on any mortgages or other debts associated with the property. In other words, it is the ownership interest in a property. Option A is incorrect because it only considers the initial loan amount and does not take into account any interest that may have accrued over time. Option B is incorrect because it only looks at the payments made, rather than considering the total value of the property. Option D is incorrect because it only considers the appraisal value, which may not accurately reflect the current market value of the property. Therefore, the most accurate definition of equity is option C, as it takes into account the current value of the property as well as any outstanding debts.

3. If a local city passes a law prohibiting discrimination on the basis of sexual orientation, it is?

A. Invalid

B. Valid because it is stricter than the federal law

C. Only applicable to federal employees

D. Considered advisory

In this case, the correct answer is B because local laws that are stricter than federal laws are generally considered valid. When a local city passes a law prohibiting discrimination on the basis of sexual orientation, and it is more stringent than current federal laws, it falls under the concept of legal principle known as the principle of preemption. This principle states that a local law can be enforced if it is more strict or offers more protection than the existing federal law. Therefore, the local law prohibiting discrimination on the basis of sexual orientation in this scenario is considered valid.

4. What are a buyer's rights if the CRV on a VA loan is less than the purchase price and the contract was signed prior to receiving the CRV?

A. Renegotiate the loan amount

B. Cancel the contract under specific contingencies

C. Pay the difference in cash

D. Obtain a supplemental loan

If a buyer signs a contract for a VA loan and later finds out that the Certificate of Reasonable Value (CRV) is less than the purchase price, they have the right to cancel the contract under specific contingencies. This option allows the buyer to back out of the contract without penalty and find a different financing option or negotiate the terms of the loan with the seller. Option A is incorrect because renegotiating the loan amount is not a valid solution in this situation. The buyer cannot force the lender to change the CRV. Option C is incorrect because the buyer may not have the cash on hand to cover the difference in price. Option D is incorrect because obtaining a supplemental loan is not guaranteed and may not cover the full difference in price. Therefore, the best option for the buyer in this situation is to cancel the contract under specific contingencies and explore other financing options.

5. What is the apportionment of tax payments at closing known as?

A. Proration

B. Escrow

C. Adjustment

D. Closing cost

The apportionment of tax payments at closing is known as proration. Proration is the process of dividing certain closing costs such as property taxes, homeowners insurance, and interest on a loan between the buyer and seller. This is done based on the time each party owned the property during the tax year. This can be confusing because escrow and closing cost are also terms used in real estate transactions, but they refer to different things. Escrow is an account where money is held to pay certain bills, such as property taxes, on behalf of the buyer. Closing cost refers to the fees and expenses paid at the closing of a real estate transaction. Adjustment is not the correct answer because it does not specifically refer to the apportionment of tax payments. Therefore, the best answer is A Proration.

6. What must Seller A do regarding the deck when she decides to sell her house?

A. Nothing

B. Remove the deck

C. Advise the buyer of the situation

D. Obtain a retrospective building permit

Seller A must advise the buyer of the situation regarding the deck if she decides to sell her house. This is important because the deck may not have been built properly or may not have the required permits, which could cause problems for the buyer in the future. Option A, doing nothing, could lead to legal issues for the seller and buyer. Option B, removing the deck, may not be necessary and could decrease the value of the house. Option D, obtaining a retrospective building permit, may be a good idea but does not address the issue of informing the buyer.

7. Which of the following is not a characteristic of value?

A. Demand

B. Utility

C. Scarcity

D. Change

While demand, utility, and scarcity are all characteristics of value that contribute to the worth or desirability of a good or service, change is not. Change may impact the value of something, but it is not a defining characteristic of value itself. Therefore, D is not a characteristic of value.

8. How can the stock in a mutual water company that is appurtenant to the land be transferred?

A. May only be transferred with the transfer of the property

B. Can be sold separately from the property

C. Is always transferred to the state after the sale

D. Can be retained by the seller after the property sale

A mutual water company stock that is appurtenant to the land cannot be transferred separately from the property, as it is tied to that specific property. This means that it cannot be sold or retained separately from the property, and will automatically transfer to the new owner along with the land. Option B is incorrect because it suggests that the stock can be sold separately. Option C is incorrect because it states that the stock will always be transferred to the state, which is not true as it will transfer to the new property owner. Option D is incorrect because it suggests that the seller can retain the stock after the property is sold, which is not possible.

9. During the statutory period required to claim ownership by adverse possession, what is true?

A. The original owner pays the taxes

B. The government pays the taxes

C. The claimant pays the taxes

D. No taxes are required

During the statutory period required to claim ownership by adverse possession, the claimant is responsible for paying the taxes on the property. This is because adverse possession is based on the claimant openly occupying and using the property as their own, so they are treated as the owner for all intents and purposes, including tax obligations. Option A is incorrect because the original owner is no longer considered the legal owner during this period. Option B is incorrect because the government only pays taxes on property it owns. Option D is incorrect because taxes are still required during the statutory period, they are just paid by the claimant rather than the original owner.

10. The process by which eminent domain occurs is called?

A. zoning

B. police power

C. condemnation

D. escheat

Ab Zoning refers to government regulation of land use, while eminent domain is the power to take land for public use. Ad: Physical or intellectual property can escheat to the state if there are no living heirs or beneficiaries, but this is not related to eminent domain. Bd: Police power refers to the government's ability to regulate and enforce laws for the safety and well-being of its citizens, but this does not involve the taking of private property for public use.

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://californiarealestate.examzify.com

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