

CALIFORNIA REAL ESTATE PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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THE FULL VERSION STUDY GUIDE**

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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. Unearned increment is considered in the appraisal of income producing property. What is the best example of unearned increment?**
 - A. Land depreciation
 - B. Mortgage interest
 - C. Property maintenance
 - D. Unanticipated value increase due to circumstantial changes

- 2. Which of the following is NOT related to a "will"?**
 - A. Bequeath
 - B. Bequest
 - C. Devise
 - D. None of the above

- 3. In California, the salesperson's commission is paid by the:**
 - A. Broker
 - B. Buyer
 - C. Escrow holder
 - D. Seller

- 4. A brother and sister own a property as joint tenants. The sister marries and then deeds one-half of her interest to her new husband. Which of the following is a true statement?**
 - A. All three are now joint tenants
 - B. Brother holds in severalty, sister and husband hold as community property
 - C. Brother is joint tenant, sister and husband hold title as community property
 - D. The joint tenancy is totally destroyed

- 5. Which of the following is nearest to a synonym of "metes and bounds"?**
 - A. Angles and degrees
 - B. Angles and measures
 - C. Degree of perimeters
 - D. Measures and perimeters

- 6. A broker's loan statement protects the:**
- A. beneficiary
 - B. broker
 - C. trustee
 - D. trustor
- 7. A home sold for \$150,000 on which the seller was to pay a 6% brokerage fee. Additional costs were: 2% prepayment penalty on an existing loan balance of \$102,800, escrow fees of \$210, and new loan discount fee of \$534. The seller's cost of sale will be what percent of gross equity?**
- A. 20.5%
 - B. 228%
 - C. 23.4%
 - D. 25%
- 8. In real estate, the word "tenancy" means:**
- A. a device
 - B. a mode or method of holding ownership
 - C. a tenacious person
 - D. two or more persons joined in an enterprise
- 9. Which approach or approaches would an appraiser use to determine the value of a property?**
- A. Cost approach
 - B. Income approach
 - C. Market approach
 - D. Any or all of the above
- 10. A property offered for sale for \$88,000 has been appraised for a new FHA loan at an appraised value of \$87,500. How large a loan can be obtained if the FHA down payment is 3% of the first \$25,000 of the appraised value plus 5% of the remainder of \$25,000?**
- A. \$83,625
 - B. \$84,100
 - C. \$84,125
 - D. \$84,338

Answers

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

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Explanations

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1. Unearned increment is considered in the appraisal of income producing property. What is the best example of unearned increment?

A. Land depreciation

B. Mortgage interest

C. Property maintenance

D. Unanticipated value increase due to circumstantial changes

Unearned increment refers to a value increase in property that occurs not because of the owner's actions or investments, but due to external factors or circumstances that enhance the value of the property. The best example of unearned increment from the provided options is the increase in property value that arises from circumstantial changes, such as zoning law modifications, new infrastructure developments, or changes in neighborhood demand. In the context of appraisal for income-producing property, understanding unearned increment is crucial because it reflects potential increases in market value that could affect investment returns, yet are not directly related to the property owner's management or improvements to the property. Unlike land depreciation, which signifies a decrease in value, or mortgage interest and property maintenance, which are ongoing financial responsibilities, unanticipated value increases due to changes beyond the property owner's control encapsulate the concept of unearned increment perfectly.

2. Which of the following is NOT related to a "will"?

A. Bequeath

B. Bequest

C. Devise

D. None of the above

The correct answer is that "bequeath" is indeed related to a will. It refers to the act of giving specific property or assets to someone through a will. In this context, "bequest" and "devise" are also terms associated with a will. A bequest refers to a gift of personal property left in a will, while a devise specifically pertains to the transfer of real property through a will. By considering these definitions, it's clear that the focus of the question is on what is NOT related to a will. Since all the terms listed—bequeath, bequest, and devise—have specific meanings related to how property is distributed upon someone's death under a will, the assertion that one of them is unrelated is not accurate. The option stating "None of the above" can be understood as correct since all the other choices pertain to a will in different capacities.

3. In California, the salesperson's commission is paid by the:

A. Broker

B. Buyer

C. Escrow holder

D. Seller

In California, the salesperson's commission is typically paid by the broker, who acts as the intermediary between the salesperson and the clients. Brokers are responsible for overseeing transactions and play a crucial role in managing the financial aspects, including the distribution of commission payments. The commissions are usually based on the final sale price of the property, which is negotiated in the listing agreement. While buyers and sellers may be involved in negotiations regarding commissions as part of the overall transaction costs, it is the broker who actually disburses the commission to the salesperson after the transaction is completed. This ensures that the salesperson receives compensation for their services rendered in helping to facilitate the sale. In certain transactions, costs related to commission might indirectly impact buyers or sellers, but the direct payment to the salesperson comes from the broker, making it the correct choice in this context.

4. A brother and sister own a property as joint tenants. The sister marries and then deeds one-half of her interest to her new husband. Which of the following is a true statement?

- A. All three are now joint tenants
- B. Brother holds in severalty, sister and husband hold as community property
- C. Brother is joint tenant, sister and husband hold title as community property
- D. The joint tenancy is totally destroyed**

The correct statement is that the joint tenancy is totally destroyed. In California, when one joint tenant transfers their interest in the property to another party, it terminates the joint tenancy with respect to that interest. In this scenario, when the sister deeds her half-interest to her new husband, it results in the severance of the joint tenancy. The brother remains the sole holder of his interest, which is now in severalty, while the sister and her husband hold their half-interest as either community property or tenants in common, depending on the nature of the deed and their marital property laws. The essential concept here is that joint tenancy requires all parties to hold equal shares with rights of survivorship. Once one tenant conveys their interest to someone else, the unity of ownership is disrupted, thus destroying the joint tenancy. This allows the remaining owner (the brother) to hold his interest separately, while the sister and her husband would typically become tenants in common or hold as community property, depending on the specifics of their ownership after the transfer.

5. Which of the following is nearest to a synonym of "metes and bounds"?

- A. Angles and degrees
- B. Angles and measures**
- C. Degree of perimeters
- D. Measures and perimeters

The term "metes and bounds" refers to a method of describing land by specifying its boundaries using physical features of the geography, as well as angles and distances. The key components of this system include the measurements of distances (metes) and the directions/angles along the boundaries (bounds). Having this context in mind, the option that aligns most closely with this description is the combination of "angles and measures." This choice captures the essence of what metes and bounds involve—specifying both the distances (measures) and the directional angles necessary for clearly defining the boundaries of a property. While other options may contain related terms, they do not effectively encompass both aspects (the measuring of distance and the specification of angles) central to the concept of metes and bounds. This makes the selected answer the most appropriate synonym.

6. A broker's loan statement protects the:

- A. beneficiary**
- B. broker
- C. trustee
- D. trustor

The correct choice pertains to the beneficiary in a real estate context, particularly when dealing with loans and trust deeds. A broker's loan statement serves as documentation that details the terms and balances of the loan from the lender (beneficiary) to the borrower (trustor). It is designed to clarify the obligations of the trustor and ensure that the beneficiary has a clear record of what is owed, including interest, fees, and any other charges. The purpose of this statement is to protect the interests of the beneficiary by providing a formal account of the loan, which can be crucial in the event of disputes or foreclosures. The beneficiary relies on this statement to ascertain that they can enforce the loan terms and track repayments accurately. In this way, a broker's loan statement is essential for ensuring transparency and security in the lending process for the beneficiary.

7. A home sold for \$150,000 on which the seller was to pay a 6% brokerage fee. Additional costs were: 2% prepayment penalty on an existing loan balance of \$102,800, escrow fees of \$210, and new loan discount fee of \$534. The seller's cost of sale will be what percent of gross equity?

A. 20.5%

B. 228%

C. 23.4%

D. 25%

To determine the seller's cost of sale as a percentage of gross equity, it's important to first identify all associated costs and then compute the gross equity. The gross sale price of the home is \$150,000. To calculate the seller's costs, we need to include the brokerage fee, prepayment penalty, escrow fees, and the new loan discount fee. 1. ****Brokerage fee****: This is 6% of the sale price. - Calculation: $0.06 \times \$150,000 = \$9,000$ 2. ****Prepayment penalty****: This is 2% of the outstanding loan balance of \$102,800. - Calculation: $0.02 \times \$102,800 = \$2,056$ 3. ****Escrow fees****: This is a fixed cost of \$210. 4. ****New loan discount fee****: This is another fixed cost of \$534. Now, we add all these costs to determine the total cost of sale: - Brokerage fee: \$9,000 - Prepayment penalty: \$2,056 - Escrow fees: \$210 - New loan discount fee: \$534 Total costs = \$9,000 + \$2,

8. In real estate, the word "tenancy" means:

A. a device

B. a mode or method of holding ownership

C. a tenacious person

D. two or more persons joined in an enterprise

In real estate, the term "tenancy" refers to a mode or method of holding ownership of real property. It defines the relationship between the owner and the occupant or tenant. This term is commonly used to describe different types of property ownership, such as tenancy in common, joint tenancy, or tenancy by the entirety. The other options are incorrect because they do not accurately define the term "tenancy" in the context of real estate.

9. Which approach or approaches would an appraiser use to determine the value of a property?

A. Cost approach

B. Income approach

C. Market approach

D. Any or all of the above

The most comprehensive way an appraiser determines the value of a property is by utilizing any or all of the approaches mentioned. Each approach—cost, income, and market—offers a unique perspective on value and can be beneficial depending on the type of property and the intended purpose of the appraisal. The cost approach is particularly useful for valuing new construction, where the appraiser estimates the cost to replace or reproduce the property, adjusting for depreciation based on its current condition. The income approach is essential for valuing income-generating properties, such as rental homes or commercial buildings. This method focuses on the income that the property generates and calculates its value based on the present worth of those future cash flows. The market approach, also known as the sales comparison approach, involves comparing the property to similar properties that have recently sold in the area. This method helps determine a fair market value based on current market conditions. Recognizing that all these methods can be applicable in different scenarios is crucial for accurate property valuation. Thus, the correct answer includes the possibility of using any or all of the approaches, depending on the specific circumstances surrounding the property in question.

10. A property offered for sale for \$88,000 has been appraised for a new FHA loan at an appraised value of \$87,500. How large a loan can be obtained if the FHA down payment is 3% of the first \$25,000 of the appraised value plus 5% of the remainder of \$25,000?

A. \$83,625

B. \$84,100

C. \$84,125

D. \$84,338

To determine the maximum loan amount that can be obtained under the FHA guidelines, it's crucial to understand how the down payment is calculated based on the appraised value. The property has an appraised value of \$87,500. The FHA down payment involves calculating 3% of the first \$25,000 and 5% of the portion of the appraised value that exceeds \$25,000. 1. **Calculate the down payment**: - The first \$25,000: $3\% \text{ of } 25,000 = 0.03 \times 25,000 = 750$ - The remaining amount beyond \$25,000 is: $87,500 - 25,000 = 62,500$ - The next \$62,500 is calculated at 5%: $5\% \text{ of } 62,500 = 0.05 \times 62,500 = 3,125$ 2. **Sum the two down payments**: $750 + 3,125 = 3,875$

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://calirealestateexam.examzify.com>

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

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