

Colibri Real Estate Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

Copyright © 2025 by Examzify - A Kaluba Technologies Inc. product.

ALL RIGHTS RESERVED.

No part of this book may be reproduced or transferred in any form or by any means, graphic, electronic, or mechanical, including photocopying, recording, web distribution, taping, or by any information storage retrieval system, without the written permission of the author.

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

SAMPLE

Questions

SAMPLE

- 1. What is the main function of the Federal Housing Administration (FHA)?**
 - A. To regulate real estate agents' licenses**
 - B. To provide mortgage insurance on loans made to borrowers**
 - C. To oversee property appraisal processes**
 - D. To enforce housing codes and standards**
- 2. What is a Real Estate Investment Trust (REIT)?**
 - A. A group of investors pooling funds for property purchases**
 - B. A company that manages multiple properties for a single owner**
 - C. A company that owns and finances income-producing real estate**
 - D. A legal structure for property taxes**
- 3. What is the main purpose of a Multiple Listing Service (MLS)?**
 - A. To advertise properties for sale through social media**
 - B. To provide a database for real estate agents to share property listings**
 - C. To manage mortgage applications**
 - D. To evaluate property taxes for local governments**
- 4. What type of damages are intended to compensate a plaintiff for harm caused by a defendant's actions?**
 - A. Liquidated Damages**
 - B. General Damages**
 - C. Compensatory Damages**
 - D. Punitive Damages**
- 5. What is the term for a man-made attachment to land that adds value?**
 - A. Property Improvement**
 - B. Enhancement**
 - C. Fixture**
 - D. Development**

- 6. Which of the following is NOT a main type of residential property?**
- A. Single-family homes**
 - B. Condos**
 - C. Manufactured homes**
 - D. Townhouses**
- 7. What occurs when a gas company intrudes on land to fix a gas line?**
- A. Easement by necessity**
 - B. Easement in gross**
 - C. Encroachment**
 - D. License**
- 8. Which of the following is NOT an element for a valid and enforceable contract?**
- A. Offer and acceptance**
 - B. Consideration**
 - C. Legal capacity**
 - D. Consequence**
- 9. What is the maximum payout amount from the Real Estate Guaranty Fund per transaction?**
- A. \$10,000**
 - B. \$15,000**
 - C. \$20,000**
 - D. \$25,000**
- 10. If a listing is submitted to MLS, within how many hours must a customer be notified?**
- A. 24 hours**
 - B. 48 hours**
 - C. 72 hours**
 - D. 1 week**

Answers

SAMPLE

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

SAMPLE

Explanations

SAMPLE

1. What is the main function of the Federal Housing Administration (FHA)?

- A. To regulate real estate agents' licenses
- B. To provide mortgage insurance on loans made to borrowers**
- C. To oversee property appraisal processes
- D. To enforce housing codes and standards

The main function of the Federal Housing Administration (FHA) is to provide mortgage insurance on loans made to borrowers. This insurance protects lenders against losses that may occur if a borrower defaults on their mortgage payments. By offering this insurance, the FHA facilitates more accessible financing options for homebuyers, particularly for lower-income individuals or first-time homebuyers who may not have large down payments or strong credit histories. This mortgage insurance encourages lenders to offer loans with lower down payment requirements and more favorable terms, thereby promoting homeownership and stimulating the housing market. The FHA's role has historically been significant in expanding access to homeownership, especially during economic downturns when lending can tighten. Other functions mentioned, such as regulating real estate agents' licenses, overseeing property appraisal processes, and enforcing housing codes and standards, fall outside the primary responsibilities of the FHA. These tasks have different regulatory bodies or agencies that focus specifically on those areas.

2. What is a Real Estate Investment Trust (REIT)?

- A. A group of investors pooling funds for property purchases
- B. A company that manages multiple properties for a single owner
- C. A company that owns and finances income-producing real estate**
- D. A legal structure for property taxes

A Real Estate Investment Trust (REIT) is defined as a company that owns and finances income-producing real estate. This structure allows 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 invest in a diverse portfolio of real estate assets, including apartment buildings, office spaces, shopping centers, hotels, and more. They are often traded on major exchanges, providing investors liquidity and the potential for high dividend yields, as they are required to distribute a significant portion of their taxable income to shareholders. This understanding of REITs highlights their operational model, which is distinct from other real estate-related entities. For instance, while a group of investors pooling funds for property purchases might resemble the concept of collective investment, it lacks the formal structure and regulatory compliance that characterize a REIT. Similarly, a company managing multiple properties for a single owner pertains to property management, not to the REIT framework, which is focused on collective investment in a range of assets. Lastly, the notion of a legal structure for property taxes does not relate to the investment or financial aspects that define a REIT.

3. What is the main purpose of a Multiple Listing Service (MLS)?

- A. To advertise properties for sale through social media**
- B. To provide a database for real estate agents to share property listings**
- C. To manage mortgage applications**
- D. To evaluate property taxes for local governments**

The main purpose of a Multiple Listing Service (MLS) is to provide a centralized database for real estate agents to share property listings. This system allows agents to access a broad range of property information, making it easier to match buyers with available properties. The MLS is essential for facilitating cooperation among real estate professionals, as it enables them to list properties and see what is available in the market, enhancing market exposure for sellers and providing a comprehensive resource for buyers. In contrast, advertising properties for sale through social media focuses on marketing rather than the collaboration and data-sharing aspect that the MLS provides. Managing mortgage applications and evaluating property taxes are tasks that fall under different areas of real estate and finance, and they are not the primary function of an MLS. The essence of the MLS is its role in promoting information sharing among agents, which ultimately benefits buyers and sellers in the real estate market.

4. What type of damages are intended to compensate a plaintiff for harm caused by a defendant's actions?

- A. Liquidated Damages**
- B. General Damages**
- C. Compensatory Damages**
- D. Punitive Damages**

Compensatory damages are specifically designed to reimburse a plaintiff for the actual harm or loss they have suffered as a result of a defendant's actions. These damages aim to restore the injured party to the position they would have been in had the harm not occurred. Compensatory damages can include various types of losses, such as medical expenses, lost wages, and pain and suffering. By focusing on actual losses experienced, compensatory damages help ensure that the plaintiff is made whole, which is a fundamental principle of tort law. Liquidated damages, on the other hand, are predetermined amounts agreed upon in a contract to be paid in the event of a breach, rather than a direct compensation for harm. General damages relate to non-economic losses like emotional distress, which might not have a specific dollar amount attached to them. Punitive damages serve a different purpose altogether, as they are intended to punish the defendant for particularly egregious behavior and deter similar future conduct, rather than simply compensating the victim.

5. What is the term for a man-made attachment to land that adds value?

A. Property Improvement

B. Enhancement

C. Fixture

D. Development

The term that best describes a man-made attachment to land that adds value is "Property Improvement." Property improvements encompass any enhancements made to a property that increase its value or utility. This can include structures such as buildings, fences, and landscaping, all of which are intentionally added to the land to improve its functionality or aesthetic appeal. "Enhancement," while it suggests an improvement, is more of a general term and does not specifically indicate a permanent addition to land. "Fixture" refers to items that are attached to the property in a way that they are considered part of the real estate, but it does not encompass broader improvements beyond what is installed. "Development" refers to the process of constructing buildings or making major changes to a property but does not specifically highlight the tangible additions made to land. Thus, "Property Improvement" accurately captures the concept of man-made additions that enhance the value of land.

6. Which of the following is NOT a main type of residential property?

A. Single-family homes

B. Condos

C. Manufactured homes

D. Townhouses

The correct response identifies manufactured homes as not being a main type of residential property in the context of the question. To understand this classification, single-family homes, condos, and townhouses are generally recognized as conventional types of residential properties that are often financed through typical mortgage processes and follow standard real estate regulations. Single-family homes are standalone structures intended for use by one family. Condominiums (condos) are units within a larger building or community where owners have shared ownership of common areas. Townhouses, on the other hand, are typically multi-story homes that share walls with adjacent properties, also part of a larger community. Manufactured homes, however, differ as they are prefabricated structures often built in factories and transported to their site. They can fall under a different classification than traditional residential properties, as they are often subject to different regulations, financing options, and property ownership structures. This distinction makes manufactured homes less conventional in the realm of main residential property types compared to the others listed.

7. What occurs when a gas company intrudes on land to fix a gas line?

- A. Easement by necessity**
- B. Easement in gross**
- C. Encroachment**
- D. License**

When a gas company intrudes on land to fix a gas line, this situation typically relates to an easement in gross. An easement in gross is a type of easement that benefits an individual or company rather than a specific piece of land. In this case, the gas company, as the beneficiary of the easement, has been granted the right to enter someone else's property to maintain or repair utility lines, such as gas lines. This type of easement is often associated with utility companies that require access to properties for their infrastructure needs. Easements in gross do not have a dominant tenement since they are tied to the entity rather than a specific parcel of land. In scenarios like these, the utility company does not have ownership of the land but holds the legal right to enter the property to perform necessary maintenance. This is crucial for ensuring that public services continue to operate effectively. While other concepts like easement by necessity, encroachment, and licenses are relevant in different contexts, they do not accurately describe the situation of a gas company performing maintenance on gas lines. For example, easement by necessity typically arises when access to a landlocked property is essential, unrelated to the presence of utility lines. Encroachment refers to an unauthorized

8. Which of the following is NOT an element for a valid and enforceable contract?

- A. Offer and acceptance**
- B. Consideration**
- C. Legal capacity**
- D. Consequence**

A valid and enforceable contract must incorporate several key elements, and the absence of any one of these elements can render the contract unenforceable. The first crucial element is offer and acceptance, where one party presents terms, and the other party agrees to those terms. Next, consideration is essential; it refers to something of value that is exchanged between the parties, ensuring that both sides gain something from the agreement. Legal capacity is also vital, as it establishes that all parties involved have the legal ability to enter into a contract, which typically means they are of the legal age and sound mind. The term "consequence," however, does not represent a necessary component of a contract. While consequences can arise from the execution of a contract—such as legal ramifications or rights to sue for breach—this concept does not constitute a foundational element necessary for the formation of a valid contract. Therefore, the absence of 'consequence' from the other fundamental elements clarifies why it is not required for a contract to be considered valid and enforceable.

9. What is the maximum payout amount from the Real Estate Guaranty Fund per transaction?

- A. \$10,000
- B. \$15,000
- C. \$20,000**
- D. \$25,000

The correct answer is \$20,000, which is indeed the maximum payout amount from the Real Estate Guaranty Fund per transaction. This fund serves as a consumer protection mechanism established to compensate individuals who suffer monetary losses due to the actions of a licensed real estate broker or salesperson. The amount of \$20,000 ensures that there is a significant level of protection for consumers who may have been defrauded or harmed in a real estate transaction. Understanding the significance of this fund is crucial for real estate professionals, as it underscores the importance of ethical practices within the industry. It also highlights the state's commitment to safeguarding consumer interests in real estate dealings. Importantly, the limit on the payout per transaction ensures that the fund remains solvent and can assist multiple parties who might need compensation over time, rather than being depleted by a single large claim.

10. If a listing is submitted to MLS, within how many hours must a customer be notified?

- A. 24 hours
- B. 48 hours**
- C. 72 hours
- D. 1 week

When a listing is submitted to a Multiple Listing Service (MLS), it is crucial to inform customers in a timely manner to ensure they have the opportunity to consider the property. The requirement for notifying customers within 48 hours aligns with industry standards aimed at promoting transparency and efficiency in real estate transactions. This timeframe helps to maintain a high level of service and ensures that potential buyers or interested parties are promptly updated about available properties, thereby facilitating informed decision-making. The timeframe set at 48 hours is designed to strike a balance between allowing real estate professionals to thoroughly prepare the listings and ensuring that interested customers are not left waiting too long for information. This practice fosters trust and communication between agents and their clients, reinforcing the importance of responsiveness in the real estate market.