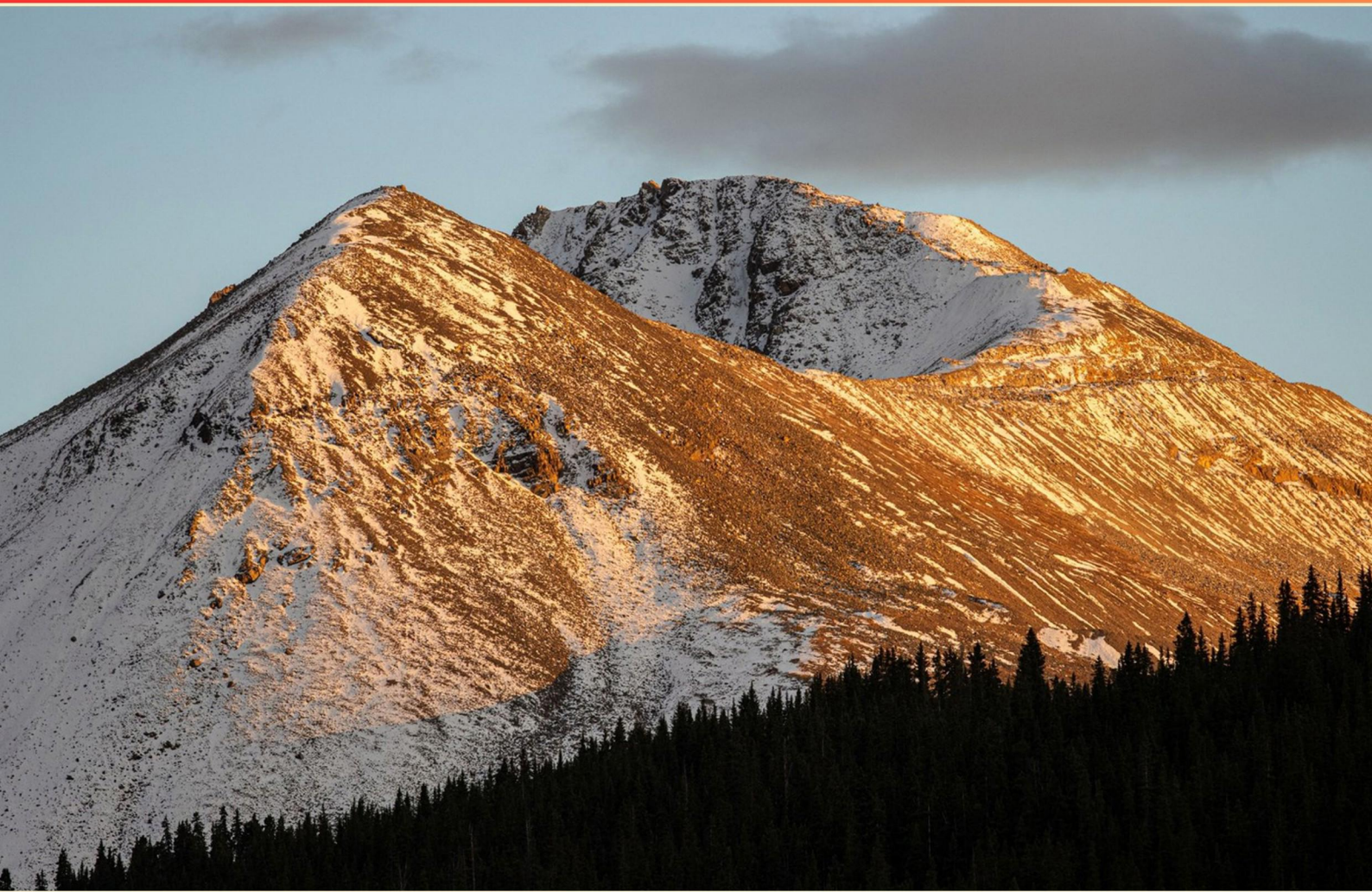


COLORADO BROKER PRACTICE TEST (SAMPLE)

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. What is escrow and what role does it play in Colorado transactions?**
 - A. Escrow is a neutral third party that holds funds and documents until closing conditions are met, ensuring proper clearance of funds.
 - B. Escrow is the seller's attorney responsible for title transfer.
 - C. Escrow is the mortgage lender that approves funding.
 - D. Escrow is the buyer's real estate agent.
- 2. In a listing contract, disclosure forms are signed to prove what?**
 - A. That they have been GIVEN & RECEIVED.
 - B. That they have been accepted by the buyer
 - C. That they are approved by the seller's attorney
 - D. That they have been notarized
- 3. Lead-based paint disclosure applies to properties with building permits issued before what date?**
 - A. January 1, 1980
 - B. January 1, 1978
 - C. January 1, 1960
 - D. December 31, 1985
- 4. In approved contract forms, the parties agree to submit any dispute about the contract to MEDIATION for up to _____ days.**
 - A. 15 Days
 - B. 30 Days
 - C. 45 Days
 - D. 60 Days
- 5. A principal broker who holds earnest money and manages properties must maintain which accounts?**
 - A. Sales Trust Account; Property Management Account; Security Deposit Trust Account
 - B. Sales Trust Account only
 - C. Property Management Account only
 - D. Security Deposit Trust Account only

6. When must Errors & Omissions insurance be renewed?

- A. June 30
- B. December 31
- C. January 1
- D. September 30

7. When do Colorado broker licenses expire?

- A. On Jan 1
- B. Midnight on the broker's licensing anniversary date
- C. December 31
- D. End of license month

8. How does property tax proration work at closing, and who typically pays what?

- A. Proration determines which party pays taxes up to the closing date; usually seller pays through closing, buyer pays after closing, depending on local practice.
- B. Buyer pays all property taxes at closing.
- C. Seller pays all taxes after closing.
- D. Taxes are never prorated in Colorado.

9. Which is the primary purpose of continuing education (CE) for Colorado licensees?

- A. To maintain licensure, update knowledge of laws and ethics, and ensure ongoing professional competency.
- B. To increase license duration without renewal.
- C. To expand the geographic scope of practice beyond Colorado.
- D. To bypass continuing education requirements.

10. Which statement about the Property Transfer Disclosure Statement is true?

- A. It is optional and rarely used
- B. It is used to disclose property condition and is typically required by law
- C. It is used only for rental properties
- D. It is only for new construction

Answers

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

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Explanations

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1. What is escrow and what role does it play in Colorado transactions?

- A. Escrow is a neutral third party that holds funds and documents until closing conditions are met, ensuring proper clearance of funds.
- B. Escrow is the seller's attorney responsible for title transfer.**
- C. Escrow is the mortgage lender that approves funding.
- D. Escrow is the buyer's real estate agent.

Escrow is a neutral third party that holds funds and documents until closing conditions are met, ensuring funds are available and disbursed correctly and that the necessary paperwork is ready for recording. In Colorado, the closing is typically handled by a title company or closing attorney who acts as the escrow agent. Their duties include receiving the buyer's funds, paying off existing liens or mortgages, prorating property taxes and HOA dues, preparing the settlement statement, coordinating title transfer, and recording the deed and title insurance once all conditions are satisfied. This arrangement protects both sides by making sure money and documents aren't handled prematurely and that everything aligns before the transfer occurs. Escrow is not the seller's attorney, the mortgage lender, or the buyer's real estate agent; it's the neutral intermediary that facilitates a safe, orderly transaction.

2. In a listing contract, disclosure forms are signed to prove what?

- A. That they have been GIVEN & RECEIVED.**
- B. That they have been accepted by the buyer
- C. That they are approved by the seller's attorney
- D. That they have been notarized

In a listing contract, the purpose of signing disclosure forms is to prove that the seller provided the required information and that the buyer received it. This creates a record that the disclosures were delivered and acknowledged, which helps show both parties' responsibilities were met. It's about notifying and documenting receipt, not about the buyer's agreement to proceed, attorney approval, or notarization.

3. Lead-based paint disclosure applies to properties with building permits issued before what date?

- A. January 1, 1980
- B. January 1, 1978**
- C. January 1, 1960
- D. December 31, 1985

Lead-based paint disclosure is required for housing built before 1978 because lead-based paint was banned for residential use starting in 1978, so properties constructed prior to that date may contain lead hazards. If building permits were issued before January 1, 1978, the seller must disclose known lead-based paint and hazards and provide the EPA's lead hazard information pamphlet. The buyer also typically has a 10-day period to inspect for lead-based paint hazards. Properties built in or after 1978 generally aren't covered by this disclosure rule unless there is known hazard.

4. In approved contract forms, the parties agree to submit any dispute about the contract to MEDIATION for up to ____ days.

- A. 15 Days
- B. 30 Days**
- C. 45 Days
- D. 60 Days

Mediation is used as an early, nonbinding step to try to resolve disputes before moving to more formal remedies. The standard form sets a thirty-day window for this process, giving enough time to schedule and conduct a meaningful mediation while still keeping the overall timeline from dragging on. If the dispute isn't resolved within that period, the contract generally allows the parties to pursue other remedies, rather than delaying action indefinitely. The other durations would either rush the mediation or unnecessarily extend the mediation period, which is why thirty days is the typical choice.

5. A principal broker who holds earnest money and manages properties must maintain which accounts?

- A. Sales Trust Account; Property Management Account; Security Deposit Trust Account**
- B. Sales Trust Account only
- C. Property Management Account only
- D. Security Deposit Trust Account only

Funds managed by a principal broker must be kept in properly designated trust accounts to protect clients and comply with regulations. Earnest money from real estate transactions belongs in a Sales Trust Account, ensuring that money from buyers and sellers is kept separate from other funds and can be disbursed per contract. When you also manage rental properties, rents and other owner funds need to be kept in a Property Management Account to separate the management money from sales escrow. Security deposits for tenants require a Security Deposit Trust Account to safeguard those deposits and handle their return at lease end. Because each type of funds has different handling and regulatory requirements, all three accounts are needed for a broker who holds earnest money and manages properties.

6. When must Errors & Omissions insurance be renewed?

- A. June 30
- B. December 31**
- C. January 1
- D. September 30

E&O insurance for Colorado real estate licensees is typically issued on a calendar-year basis, meaning the policy runs January 1 through December 31. Renewal happens at the end of the year so coverage can start anew on January 1. Maintaining continuous protection is essential because a lapse could leave you unprotected during transactions and could raise issues with the Real Estate Commission or your brokerage. That's why December 31 is the correct renewal date. The other dates don't align with the common calendar-year renewal cycle used by most E&O policies.

7. When do Colorado broker licenses expire?

- A. On Jan 1
- B. Midnight on the broker's licensing anniversary date**
- C. December 31
- D. End of license month

Licenses expire on the broker's licensing anniversary date, at midnight. The anniversary date is the date the license was issued (and is used for future renewals), so each new term ends on the same date in the next cycle. That precise cutoff—midnight on that anniversary date—ensures a clear boundary between active and expired status. Calendar dates like January 1 or December 31, or the end of a license month, don't align with the renewal cycle and aren't used to mark expiration. If renewal isn't completed by that midnight moment, the license typically becomes inactive until proper renewal is processed.

8. How does property tax proration work at closing, and who typically pays what?

- A. Proration determines which party pays taxes up to the closing date; usually seller pays through closing, buyer pays after closing, depending on local practice.
- B. Buyer pays all property taxes at closing.**
- C. Seller pays all taxes after closing.
- D. Taxes are never prorated in Colorado.

Property tax proration at closing allocates tax liability between buyer and seller based on how long each will own the property during the tax year. In practice, the seller is responsible for the taxes for the portion of the year they owned the home up to the closing date, while the buyer takes on the taxes for the portion after closing. The amount is calculated by taking the annual tax bill, converting it to a daily amount, and multiplying by the number of days each party owned the property in that year. The settlement statement then shows these amounts as credits and debits so that each party pays only for their share. This means the buyer does not end up paying all the year's taxes at closing; they pay only their portion for the time they own the property, with the seller accounting for their portion up to closing.

9. Which is the primary purpose of continuing education (CE) for Colorado licensees?

- A. To maintain licensure, update knowledge of laws and ethics, and ensure ongoing professional competency.
- B. To increase license duration without renewal.**
- C. To expand the geographic scope of practice beyond Colorado.
- D. To bypass continuing education requirements.

Continuing education is meant to keep licensees current and capable. It ensures you stay up to date with Colorado real estate laws, rules, and ethics, and it supports ongoing professional competency so you can serve clients effectively. CE is tied to the license renewal process—you complete the required courses during the renewal period to keep your license active. It doesn't extend the license term by itself, it doesn't automatically expand your geographic scope, and it isn't a way to bypass requirements.

10. Which statement about the Property Transfer Disclosure Statement is true?

- A. It is optional and rarely used
- B. It is used to disclose property condition and is typically required by law**
- C. It is used only for rental properties
- D. It is only for new construction

Disclosing known property conditions to the buyer is a standard obligation in Colorado real estate transactions. The Property Transfer Disclosure Statement serves as the official tool for that disclosure, laying out known defects and issues that could affect the property's value or desirability. Because state law generally requires this disclosure in most residential transfers, the statement that it is used to disclose property condition and is typically required by law is the best choice. It isn't optional, nor is it limited only to rental properties or to new construction; it applies to typical home sales as part of ensuring buyers have honest, informed information about the property. This disclosure helps protect both parties by clarifying known problems and reducing disputes after the sale.

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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://coloradobroker.examzify.com>

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

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