

Delaware Real Estate Practice Exam Sample Study Guide



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for each question.**

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SAMPLE

Questions

- 1. Which of the following is NOT a purpose of the Delaware Unit Property Act?**
 - A. To promote the development of larger common interest communities**
 - B. To protect owners of condominium units**
 - C. To regulate the development of condominium communities**
 - D. To regulate the operation of homeowner associations**
- 2. What is a key requirement for a seller when listing a property in Delaware?**
 - A. Home inspection before listing**
 - B. Clear title certification**
 - C. Mandatory pre-listing advertising**
 - D. Real estate agent hiring**
- 3. After their first renewal, how many hours of CE courses do Delaware real estate licensees need for license renewal?**
 - A. 12 hours**
 - B. 18 hours**
 - C. 21 hours**
 - D. 24 hours**
- 4. What is the primary purpose of an abatement program?**
 - A. Increase costs and place a moratorium on development.**
 - B. Stimulate community revitalization.**
 - C. Put a moratorium on building.**
 - D. Increase development costs and fees.**
- 5. According to the Delaware Mortgage Loan Modification Services Act (MLMSA), what fee must mortgage loan modification service providers pay to the state Consumer Protection Fund?**
 - A. \$1,000**
 - B. \$2,000**
 - C. \$3,000**
 - D. \$4,000**

- 6. In Delaware, when is a real estate professional required to provide the Consumer Information Statement (CIS)?**
- A. Before preparing a custom escrow agreement.**
 - B. At the time of the first substantial contact.**
 - C. Only when a sale is imminent.**
 - D. After property showing.**
- 7. What is the primary purpose of a subordination agreement?**
- A. To extend loan repayment terms**
 - B. To modify lease agreements**
 - C. To establish priority among liens**
 - D. To eliminate existing liens**
- 8. What is the maximum Guaranty Fund compensation available to claimants against a licensee in Delaware?**
- A. \$15,000**
 - B. \$150,000**
 - C. \$25,000**
 - D. \$300,000**
- 9. Which of the following purchase agreements must include an amortization schedule by state law?**
- A. A property requiring a jumbo loan**
 - B. Residential property purchased at a foreclosure sale**
 - C. The sale of a condominium unit where financing is used**
 - D. The sale of a single-family residence financed by the seller**
- 10. In Delaware, which aspect of real estate does not require a license?**
- A. Representing buyers**
 - B. Advertising properties**
 - C. Managing one's own investment property**
 - D. Neglecting real estate duties**

Answers

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

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Explanations

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1. Which of the following is NOT a purpose of the Delaware Unit Property Act?
- A. To promote the development of larger common interest communities**
 - B. To protect owners of condominium units
 - C. To regulate the development of condominium communities
 - D. To regulate the operation of homeowner associations

The Delaware Unit Property Act primarily serves to establish a framework for the development and governance of condominium communities, which includes regulations on how these properties should be developed and operated to ensure the rights and responsibilities of unit owners and associations are clear. One significant aspect of the Act is the protection of condominium unit owners, ensuring they have a legal structure that supports their investment and living conditions. Regulating the development of condominium communities is a key function of the Act, as it outlines the requirements for converting buildings into condo units and the necessary disclosures to potential buyers. Similarly, the Act addresses the operations of homeowner associations, outlining their authority, governance, and operational guidelines to maintain order within communities. However, promoting the development of larger common interest communities is not a direct purpose of the Delaware Unit Property Act. The focus of the Act is more on the existing structure of condominiums and condominiums as a way of managing shared property, rather than on encouraging the growth of larger community developments. Therefore, this choice stands out as not aligning with the primary goals of the Act.

2. What is a key requirement for a seller when listing a property in Delaware?
- A. Home inspection before listing
 - B. Clear title certification**
 - C. Mandatory pre-listing advertising
 - D. Real estate agent hiring

The requirement for a seller when listing a property in Delaware is to provide a clear title certification. This is essential because a clear title ensures that the property being sold is free from any legal claims, liens, or disputes that could affect ownership. By certifying a clear title, the seller assures potential buyers that they will receive full ownership rights upon closing. In real estate transactions, having a clear title is critical; it protects both the seller and the buyer by confirming that the property can be sold without any legal hurdles. Title issues can lead to delays in transactions or cause buyers to back out of deals, so having this certification upfront is advantageous. The other options, while related to real estate transactions, do not represent a key requirement for listing a property in Delaware. Home inspections, advertising, and hiring a real estate agent may be beneficial practices, but they are not mandated by law for a seller to list their property. Therefore, focusing on the clear title certification is crucial for ensuring a smooth selling process.

3. After their first renewal, how many hours of CE courses do Delaware real estate licensees need for license renewal?

- A. 12 hours**
- B. 18 hours**
- C. 21 hours**
- D. 24 hours**

In Delaware, after the first renewal period, real estate licensees are required to complete 21 hours of continuing education (CE) courses for each subsequent renewal of their license. This requirement reflects the state's commitment to ensuring that real estate professionals remain updated on current laws, practices, and trends in the industry. The 21-hour requirement typically includes a mix of topics such as ethics, legal updates, and other relevant subjects that provide licensees with the necessary knowledge and skills to effectively serve their clients and uphold the standards of the profession. This proactive approach helps to maintain a high level of professionalism and competency among real estate practitioners in Delaware. The other options do not reflect the current requirements established by the Delaware Real Estate Commission, which stipulate that 21 hours is the correct amount following the first renewal period. Understanding these requirements is crucial for licensees to ensure they remain compliant and can continue to operate effectively in the real estate market.

4. What is the primary purpose of an abatement program?

- A. Increase costs and place a moratorium on development.**
- B. Stimulate community revitalization.**
- C. Put a moratorium on building.**
- D. Increase development costs and fees.**

The primary purpose of an abatement program is to stimulate community revitalization. Abatement programs are typically implemented to encourage investment in areas that may be economically distressed or in need of redevelopment. These programs often involve the reduction or elimination of property taxes or other financial incentives for developers who invest in properties within specific zones. By alleviating some of the financial burden, abatement programs aim to attract new businesses, enhance property values, and ultimately rejuvenate neighborhoods. This focus on revitalization helps to create a more vibrant, sustainable community, drawing in residents and businesses alike. The other options, which suggest increasing costs, placing a moratorium on development, or charging higher fees, do not align with the fundamental goals of an abatement program, which is to foster growth and improvement in targeted areas, rather than restrict or financially burden development efforts.

5. According to the Delaware Mortgage Loan Modification Services Act (MLMSA), what fee must mortgage loan modification service providers pay to the state Consumer Protection Fund?

A. \$1,000

B. \$2,000

C. \$3,000

D. \$4,000

The correct answer is that mortgage loan modification service providers must pay a fee of \$1,000 to the state Consumer Protection Fund under the Delaware Mortgage Loan Modification Services Act (MLMSA). This fee is part of the regulatory measures put in place to ensure that providers operating in this sector contribute to consumer protection initiatives. The funds collected are typically used to help facilitate the investigation and enforcement of consumer protection laws, especially those pertaining to mortgage services. Understanding this specific fee is critical for compliance, as it highlights the responsibility of service providers to adhere to state regulations and contribute to the oversight of financial practices that impact homeowners. Other amounts mentioned, such as \$2,000, \$3,000, and \$4,000, do not align with the established regulations, helping to distinguish the correct contribution required for the Consumer Protection Fund.

6. In Delaware, when is a real estate professional required to provide the Consumer Information Statement (CIS)?

A. Before preparing a custom escrow agreement.

B. At the time of the first substantial contact.

C. Only when a sale is imminent.

D. After property showing.

A real estate professional in Delaware is required to provide the Consumer Information Statement (CIS) at the time of the first substantial contact. This requirement is crucial because it ensures that consumers are informed about the types of agency relationships available and the responsibilities that come with those relationships before any significant discussions about real estate transactions occur. Providing the CIS early in the interaction helps establish transparency and builds trust between the real estate professional and the consumer. It also gives consumers the necessary information to make informed decisions about their agency relationship, which is a fundamental principle in real estate transactions. The other options do not align with the regulations set forth for the CIS. Preparing an escrow agreement or waiting until a sale is imminent does not fulfill the legal obligation to disclose agency relationships early in the process. Furthermore, delivering the CIS after a property showing does not meet the requirement as it is crucial to present it before the consumer engages in serious discussions regarding their real estate needs.

7. What is the primary purpose of a subordination agreement?

- A. To extend loan repayment terms**
- B. To modify lease agreements**
- C. To establish priority among liens**
- D. To eliminate existing liens**

The primary purpose of a subordination agreement is to establish priority among liens. In real estate, liens can be filed against property for various reasons, including mortgages, tax claims, or other financial obligations. A subordination agreement allows one lienholder to subordinate their claim to the priority of another lienholder. For example, if a homeowner wants to refinance their mortgage and they have a second mortgage, the lender from the first mortgage may require a subordination agreement from the lender of the second mortgage, ensuring that the first mortgage maintains priority in case of default. This is crucial for lenders as it affects their ability to recover funds if the property is foreclosed. While extending loan repayment terms, modifying lease agreements, or eliminating existing liens are important considerations in real estate transactions, these functions are not the primary focus of a subordination agreement. Instead, the agreement specifically governs the order of claims to ensure that all parties involved understand their rights concerning the property.

8. What is the maximum Guaranty Fund compensation available to claimants against a licensee in Delaware?

- A. \$15,000**
- B. \$150,000**
- C. \$25,000**
- D. \$300,000**

In Delaware, the maximum Guaranty Fund compensation available to claimants against a licensee is \$25,000. This fund is designed to protect consumers who have suffered losses due to the wrongful actions of a licensee, such as fraud or misrepresentation in real estate transactions. When a claimant files a successful claim against a licensee, they can be reimbursed up to this specified limit from the Guaranty Fund. This structure ensures that there is a financial safety net for consumers, reflecting the commitment to maintaining ethical standards in real estate practices. It is important for both consumers and licensees to be aware of this limit, as it defines the maximum financial recourse available in cases where a licensee has acted improperly. The fund is also a critical component of the regulatory framework meant to bolster consumer confidence in the real estate market.

9. Which of the following purchase agreements must include an amortization schedule by state law?

- A. A property requiring a jumbo loan**
- B. Residential property purchased at a foreclosure sale**
- C. The sale of a condominium unit where financing is used**
- D. The sale of a single-family residence financed by the seller**

The requirement for an amortization schedule in a purchase agreement is specifically tied to the sale of a single-family residence financed by the seller in Delaware. This is significant because seller financing often involves direct negotiation between the buyer and seller regarding the terms of the loan, including the payment structure. An amortization schedule outlines the breakdown of each payment over the life of the loan, showing how much goes toward principal and how much goes toward interest. This transparency ensures that the buyer understands their financial commitment and aids in financial planning. By law, including an amortization schedule helps protect the buyer's interests and promotes informed decision-making in real estate transactions. In other contexts, such as properties requiring a jumbo loan or foreclosure sales, the specific regulations around amortization schedules may not apply. Jumbo loans are typically conventional loans that exceed the conforming loan limits, and while they may require certain disclosures, they do not specifically mandate an amortization schedule by state law. Similarly, the sale of a condominium unit may have its own financing structure that does not necessitate this requirement under the law. Likewise, while seller-financed single-family residences are legally obligated to have an amortization schedule, other property sales may not share the same stipulation.

10. In Delaware, which aspect of real estate does not require a license?

- A. Representing buyers**
- B. Advertising properties**
- C. Managing one's own investment property**
- D. Neglecting real estate duties**

In Delaware, managing one's own investment property does not require a license because property owners have the right to oversee their own real estate investments without needing to be licensed as real estate professionals. This includes tasks such as collecting rents, managing tenants, and maintaining the property. This provision is in place to allow individuals the freedom to manage their personal investments without the administrative burden of licensing requirements. On the other hand, representing buyers and advertising properties are activities that typically involve interacting with the public or other parties in a professional capacity, which is why they necessitate a real estate license. Neglecting duties, while it sounds indicative of a lack of action, does not have a bearing on whether an activity needs a license; rather, it's a behavioral aspect that could lead to professional repercussions for licensed individuals.