

# Gold Coast Real Estate Practice Exam (Sample)

## Study Guide



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## **Questions**

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- 1. What type of partnership involves at least one active broker providing real estate services?**
  - A. Limited partnership**
  - B. Brokerage partnership**
  - C. Joint venture**
  - D. General partnership**
- 2. Which of the following is NOT allowed to be included in an escrow account?**
  - A. Funds from the seller**
  - B. Licensee's personal funds**
  - C. Deposits from buyers**
  - D. Funds from a mortgage company**
- 3. What does effective age represent in terms of a property?**
  - A. The total life remaining**
  - B. The actual age of the building**
  - C. The percentage of the total life lost or used up**
  - D. The depreciation of a property**
- 4. What does it mean if a broker's office is described as "stationary"?**
  - A. It can change locations frequently**
  - B. It is fixed at one location**
  - C. It operates virtually only**
  - D. It uses shared office spaces**
- 5. During mortgage underwriting, what report is typically obtained by the underwriter to evaluate the applicant's financial reliability?**
  - A. Employment report**
  - B. Credit history**
  - C. Financial statement**
  - D. Property history**

- 6. What is considered a violation of civil rights laws in real estate?**
- A. Failing to disclose property defects**
  - B. Steering**
  - C. Falsifying property documents**
  - D. Improper advertising**
- 7. What is the term used when a loan has been fully paid in a lien theory state?**
- A. Reinstatement of mortgage**
  - B. Satisfaction of mortgage**
  - C. Release of lien**
  - D. Termination of loan**
- 8. In a traditional real estate transaction, who serves as the principal?**
- A. The broker**
  - B. The client**
  - C. The special agent**
  - D. The transaction manager**
- 9. What legal principle allows the government to acquire private land for public use?**
- A. Escheat**
  - B. Adverse possession**
  - C. Eminent domain**
  - D. Foreclosure**
- 10. What is meant by "enjoyment" when referring to property rights?**
- A. The right to enjoy the property without interference**
  - B. The right to lease out the property**
  - C. The right to sell the property**
  - D. The right to make modifications**

## **Answers**

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

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## **Explanations**

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**1. What type of partnership involves at least one active broker providing real estate services?**

- A. Limited partnership**
- B. Brokerage partnership**
- C. Joint venture**
- D. General partnership**

The correct answer highlights a unique structure in which at least one active broker is involved in providing real estate services. In a brokerage partnership, this active participation is essential, as it indicates that there is a broker who directly engages in the day-to-day operations of the business, handling transactions, and serving clients. This form of partnership is specifically designed for the real estate industry, allowing licensed professionals to collaborate and share resources while ensuring compliance with regulatory requirements. By having an active broker, these partnerships can leverage the broker's expertise and network to provide quality services to clients. In contrast, a limited partnership involves both general and limited partners but does not necessarily require an active broker in the real estate sense. A joint venture is typically a temporary partnership for a specific project and may not focus solely on real estate services. Lastly, a general partnership allows all partners to be involved in the management, but does not specifically emphasize the necessity of having an active broker providing real estate services as part of its foundational structure. Thus, the brokerage partnership is distinctly positioned to facilitate effective real estate operations, making it the most suitable answer to the question presented.

**2. Which of the following is NOT allowed to be included in an escrow account?**

- A. Funds from the seller**
- B. Licensee's personal funds**
- C. Deposits from buyers**
- D. Funds from a mortgage company**

An escrow account is designed to hold funds related to a real estate transaction until all conditions of the sale are met. This typically includes buyer deposits, funds from mortgage companies, and funds necessary for closing which might be provided by the seller. However, a licensee's personal funds should never be included in an escrow account because doing so can create potential conflicts of interest and violate the fiduciary duty owed to clients. It is crucial for real estate professionals to maintain a clear boundary between personal finances and client funds to ensure transparency and trust in the transaction process. The other options reflect acceptable uses of escrow accounts. For instance, deposits from buyers are standard as they signify the buyer's serious intent to proceed with the purchase. Contributions from mortgage companies are also typical, as they represent funds aimed at completing the transaction. Lastly, funds from the seller may be included in certain situations, particularly when the seller is providing financing or covering closing costs. All these transactions are directly tied to the real estate deal, unlike a licensee's personal funds, which have no legitimate purpose in an escrow account.

### 3. What does effective age represent in terms of a property?

- A. The total life remaining
- B. The actual age of the building
- C. The percentage of the total life lost or used up**
- D. The depreciation of a property

Effective age is an important concept in real estate appraising, as it reflects the age of a property in terms of its condition, utility, and overall desirability, rather than just its chronological age. When we say that effective age represents the percentage of the total life lost or used up, it means that it takes into account various factors such as renovations, maintenance, and the overall condition of the property, which can make a building seem older or younger than its actual age. For example, if a home is actually 20 years old, but it has been well-maintained and renovated, its effective age might be assessed as younger, perhaps 10 years. Conversely, a home of the same age that has not been well-maintained might be considered to have an effective age greater than its actual age. Thus, effective age is a more nuanced measure that provides a better understanding of the property's value and expected lifespan based on its current state rather than its actual age alone. This concept is critical for appraisers and real estate professionals when estimating property values, as it helps them make more informed determinations that reflect the true market conditions and perceptions associated with a property.

### 4. What does it mean if a broker's office is described as "stationary"?

- A. It can change locations frequently
- B. It is fixed at one location**
- C. It operates virtually only
- D. It uses shared office spaces

Describing a broker's office as "stationary" means that it is fixed at one location. This distinguishes it from other options that imply mobility or flexibility in location. A stationary office offers a stable base for clients to visit, ensuring consistent and accessible service. In contrast, if an office were to change locations frequently, operate virtually, or utilize shared office spaces, it would not qualify as stationary. The key characteristic of being stationary is the permanence of its location, which can be essential for building client relationships and maintaining a professional presence in the real estate market.

**5. During mortgage underwriting, what report is typically obtained by the underwriter to evaluate the applicant's financial reliability?**

**A. Employment report**

**B. Credit history**

**C. Financial statement**

**D. Property history**

The correct response is that the underwriter obtains a credit history report to evaluate the applicant's financial reliability. The credit history provides essential insights into an individual's creditworthiness by detailing their borrowing habits, payment history, outstanding debts, and overall financial behavior. This information is crucial for underwriters as it helps them assess the likelihood of the borrower being able to repay the mortgage loan. A credit history also includes credit scores, which are numerical representations of creditworthiness derived from the data in the credit report. These scores are a primary factor in determining loan terms, interest rates, and the amount for which a borrower qualifies. While other options, such as an employment report or a financial statement, may provide additional insights into an applicant's overall financial stability, they do not directly assess credit reliability as thoroughly as a credit history does. The property history is more focused on the details of the property rather than the borrower's financial background. Hence, the credit history is the foundational tool used in underwriting to evaluate financial reliability comprehensively.

**6. What is considered a violation of civil rights laws in real estate?**

**A. Failing to disclose property defects**

**B. Steering**

**C. Falsifying property documents**

**D. Improper advertising**

Steering is a practice that involves guiding prospective buyers or renters toward or away from certain neighborhoods based on their race, color, religion, sex, familial status, national origin, or disability. This tactic is considered a violation of civil rights laws, specifically the Fair Housing Act in the United States, as it perpetuates segregation and discriminates against individuals based on protected characteristics. Steering can create an unequal and unfair housing market by limiting individuals' choices and access to housing opportunities in certain areas. Such actions are not only unethical but also illegal, as they go against the principle of equal housing opportunity. In contrast, failing to disclose property defects, while it is a serious issue, typically relates more to real estate practices and liabilities rather than civil rights violations. Similarly, falsifying property documents is a legal issue pertaining to fraud rather than discrimination, while improper advertising may involve misleading claims or violations of advertising laws, yet it does not address issues of civil rights violations directly.

**7. What is the term used when a loan has been fully paid in a lien theory state?**

- A. Reinstatement of mortgage**
- B. Satisfaction of mortgage**
- C. Release of lien**
- D. Termination of loan**

In lien theory states, the term used when a loan has been fully paid is "satisfaction of mortgage." This phrase indicates that the borrower has met all obligations of the mortgage contract, successfully paying off the debt. The lender then acknowledges this completion by providing a document that certifies that the loan has been paid in full. This satisfaction removes the lien that the lender held on the property due to the mortgage, allowing the homeowner to have clear title and ownership free of the lender's claim. Understanding this process is crucial in real estate transactions, as it is necessary for the property owner to obtain a clear title when selling or refinancing. The documentation involved in a satisfaction of mortgage also serves to protect the homeowner's credit and establishes that the lender no longer has any financial claim against the property. Reinstatement of mortgage refers to bringing a loan back into good standing after a default, whereas a release of lien usually describes situations where specific claims are removed, not necessarily tied to the completion of a loan. The term termination of loan might refer to the end of a loan period but does not specifically address the fulfillment of a payment obligation in the context of mortgages.

**8. In a traditional real estate transaction, who serves as the principal?**

- A. The broker**
- B. The client**
- C. The special agent**
- D. The transaction manager**

In a traditional real estate transaction, the principal is the client. The principal is the person who appoints an agent to act on their behalf in the transaction. This could be a buyer who is looking to purchase property or a seller who is attempting to sell their property. The principal has the ultimate authority and makes key decisions regarding the transaction. Their needs and preferences guide the agent's actions and strategies during the process. While brokers, special agents, and transaction managers may play important roles in the transaction, they are acting on behalf of the client, who retains the foundational authority in the deal. The relationship is fundamentally based on the principal-agent theory, where the principal delegates certain decisions and responsibilities to the agent while still maintaining overall control of the transaction's outcome.

**9. What legal principle allows the government to acquire private land for public use?**

- A. Escheat**
- B. Adverse possession**
- C. Eminent domain**
- D. Foreclosure**

The legal principle that allows the government to acquire private land for public use is known as eminent domain. This concept is rooted in the public necessity for land to be utilized for projects that benefit the community, such as infrastructure developments, parks, and public buildings. Under eminent domain, the government has the authority to take private property, but it is required to provide just compensation to the property owner. In contrast, escheat refers to the reversion of property to the state when an owner dies without heirs. Adverse possession is a legal doctrine that allows a person to claim ownership of land under certain conditions after occupying it for a specified period without the permission of the original owner. Foreclosure is the legal process through which a lender takes possession of a property due to the borrower's failure to make mortgage payments. Each of these concepts serves a different purpose and does not apply to the government's ability to take private property for public use, which is specifically defined within eminent domain.

**10. What is meant by "enjoyment" when referring to property rights?**

- A. The right to enjoy the property without interference**
- B. The right to lease out the property**
- C. The right to sell the property**
- D. The right to make modifications**

The concept of "enjoyment" in relation to property rights emphasizes the owner's ability to use and enjoy their property without interference from others, including neighbors or third parties. This right ensures that property owners can peacefully possess and make use of their property as they see fit, cultivating a sense of security and control over their environment. The enjoyment of property is a fundamental aspect of ownership, as it directly influences the quality of life and satisfaction that comes from owning real estate. The other choices focus on specific actions or rights related to property ownership—leasing, selling, or making modifications—rather than the broader principle of enjoyment itself. While leasing, selling, or altering a property are important aspects of ownership, they do not capture the essence of the right to enjoy the property free from external disturbances. Therefore, enjoyment specifically pertains to the peaceful use of the property, highlighting its importance in the broader context of real estate rights.