

Guam Real Estate Practice Exam (Sample)

Study Guide



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SAMPLE

Questions

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- 1. Which type of discrimination is enforced under the FHA?**
 - A. Discrimination based on property size**
 - B. Discrimination against race, religion, sex, or familial status**
 - C. Discrimination based on property age**
 - D. Discrimination against specific employment status**
- 2. What is an Ad Valorem Tax?**
 - A. A tax based on property value**
 - B. A tax on income earned from real estate transactions**
 - C. A fixed tax amount set by the city**
 - D. A fee for real estate network memberships**
- 3. What is meant by reversionary interest?**
 - A. Future rights retained by someone other than the current occupant**
 - B. Ownership that is divided among several entities**
 - C. Rights that allow permanent ownership beyond one lifetime**
 - D. Ownership that requires a financial investment**
- 4. What is a common reason for a seller to accept a lower offer?**
 - A. Desire for a larger real estate investment**
 - B. Need for a quick sale or financial distress**
 - C. Inexperience in real estate transactions**
 - D. To keep the property from appreciation**
- 5. Which document must a real estate salesperson in Guam maintain while engaging in real estate activities?**
 - A. Real estate license**
 - B. Broker agreement**
 - C. Client contract**
 - D. Property deed**

- 6. What rights does a broker have under a net listing agreement?**
- A. To sell the property for any price**
 - B. To retain any earnings above the seller's net amount**
 - C. To cancel the agreement at any time**
 - D. To advertise the property publicly**
- 7. What is a contingency in a real estate contract?**
- A. A clause that establishes the buyer's obligations**
 - B. A condition that must be met for the contract to be binding**
 - C. A provision for handling disputes between parties**
 - D. A guarantee of financing for the buyer**
- 8. Which of the following is NOT a protected characteristic under fair housing laws?**
- A. Race**
 - B. Age**
 - C. Sex**
 - D. Religion**
- 9. What is the primary difference between a mortgage and a deed of trust?**
- A. A mortgage involves two parties, while a deed of trust involves three**
 - B. A mortgage requires no down payment, while a deed of trust often does**
 - C. A mortgage is used for residential properties while a deed of trust is used for commercial**
 - D. A mortgage is for fixed-term loans, while a deed of trust is for variable loans**
- 10. What is the role of the buyer's agent in a real estate transaction?**
- A. To represent the seller's interests**
 - B. To assist with property evaluations**
 - C. To represent the interests of the buyer**
 - D. To handle the closing process**

Answers

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

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Explanations

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1. Which type of discrimination is enforced under the FHA?

- A. Discrimination based on property size
- B. Discrimination against race, religion, sex, or familial status**
- C. Discrimination based on property age
- D. Discrimination against specific employment status

The Fair Housing Act (FHA) specifically prohibits discrimination in housing-related transactions based on certain protected classes. These include race, color, religion, sex, national origin, familial status, and disability. The inclusion of familial status means that individuals with children or those expecting children cannot be discriminated against in their housing options. This law is aimed at ensuring equal opportunity in housing and preventing the exclusion of individuals from housing options based on these characteristics. This is crucial for promoting inclusivity and diversity within communities. Other types of discrimination, such as those based on property size, property age, or employment status, are not covered under the FHA. Such factors do not pertain to the essential human rights the Act is designed to protect. The focus of the FHA is on protecting individuals from discrimination that relates directly to basic personal attributes, fostering a fair and equitable housing market for all.

2. What is an Ad Valorem Tax?

- A. A tax based on property value**
- B. A tax on income earned from real estate transactions
- C. A fixed tax amount set by the city
- D. A fee for real estate network memberships

An Ad Valorem Tax is defined as a tax based on the assessed value of an item, typically real estate, which means its amount is determined by the value of the property. This type of tax is assessed annually and calculated as a percentage of the property's market value. The rationale behind Ad Valorem Taxes is that they ensure that property owners contribute to public spending based on the value of their properties, which often correlates with the benefits they receive from local services such as schools, roads, and public safety. In the context of real estate, this tax is crucial because it plays a significant role in local governance and funding. As property values fluctuate, the corresponding Ad Valorem Taxes will increase or decrease, reflecting changes in a community's economic condition. This basis for taxation underlies property taxes in most jurisdictions and underscores the relationship between property ownership and civic responsibility. The other answer choices relate to different forms of taxes or fees that do not pertain to the value of property, making them irrelevant in this context. Income tax is based on earnings rather than property value, a fixed tax does not vary with property value, and fees for memberships are not taxes at all. Therefore, the selection of "A. A tax based on property value"

3. What is meant by reversionary interest?

- A. Future rights retained by someone other than the current occupant**
- B. Ownership that is divided among several entities**
- C. Rights that allow permanent ownership beyond one lifetime**
- D. Ownership that requires a financial investment**

Reversionary interest refers to the future rights that a property owner retains after transferring the present interest in the property to another party. In essence, when an owner leases, sells, or otherwise transfers property, they may still maintain the right to reclaim ownership or usage of that property once certain conditions are met or after a specific period. This type of interest is often seen in leases or life estates, where the original owner has a reversionary interest once the lease expires or the life tenant passes away. The other options do not capture the essence of reversionary interest. While ownership divided among several entities refers to shared property interests, it does not indicate a future claim by an original owner. Similarly, rights that allow for permanent ownership beyond one lifetime pertain more to fee simple estates and not specifically to reversion. Lastly, ownership that requires a financial investment describes the necessity of funds in property transactions but does not define the concept of reversionary interest, which pertains purely to the future rights retained by the grantor or previous owner of the property.

4. What is a common reason for a seller to accept a lower offer?

- A. Desire for a larger real estate investment**
- B. Need for a quick sale or financial distress**
- C. Inexperience in real estate transactions**
- D. To keep the property from appreciation**

A seller may choose to accept a lower offer primarily out of a need for a quick sale or due to financial distress. Circumstances such as an urgent need to relocate, mounting financial pressures, or the desire to avoid costly holding costs (like maintenance, property taxes, or mortgage payments) can drive a seller to prioritize a quick transaction over obtaining the highest possible price. In such situations, the seller may recognize that the lower offer provides a swift resolution to their financial needs or personal circumstances, making it more appealing than waiting for a potentially better offer that may or may not materialize. In contrast to this, other aspects such as a desire for a larger investment or inexperience in transactions do not directly compel a seller to lower their price in the same immediate and pressing way that financial need does. Additionally, the idea of preventing property appreciation does not typically motivate a seller; usually, sellers benefit from the appreciation of their property's value.

5. Which document must a real estate salesperson in Guam maintain while engaging in real estate activities?

A. Real estate license

B. Broker agreement

C. Client contract

D. Property deed

Maintaining a real estate license is fundamental for real estate salespersons as it is a legal requirement for conducting real estate activities. The license signifies that the individual has completed the necessary education, passed examinations, and met the state's qualifications to engage in real estate transactions. It serves not only as proof of legitimacy but also ensures that the salesperson is knowledgeable about local laws, regulations, and ethical standards governing real estate practices. While documents such as a broker agreement, client contract, or property deed are important for specific transactions, they are not universally required to be maintained by a salesperson while engaging in activities. The license, on the other hand, is a constant requirement that underpins all professional activities, ensuring the salesperson operates within the law and protects the interests of consumers in every transaction.

6. What rights does a broker have under a net listing agreement?

A. To sell the property for any price

B. To retain any earnings above the seller's net amount

C. To cancel the agreement at any time

D. To advertise the property publicly

A broker under a net listing agreement has the right to retain any earnings above the seller's net amount. In this type of agreement, the seller specifies a certain net amount they wish to receive from the sale of their property. The broker then has the incentive to sell the property for a price higher than that specified net amount. The broker keeps the difference as their commission. This structure creates a motivation for the broker to achieve a better sales price, benefiting both the broker and the seller as the broker has the opportunity to earn more by negotiating a higher sale price. Importantly, net listing agreements are less common and can sometimes raise ethical concerns, as they can create potential conflicts of interest depending on how they are handled.

7. What is a contingency in a real estate contract?

- A. A clause that establishes the buyer's obligations**
- B. A condition that must be met for the contract to be binding**
- C. A provision for handling disputes between parties**
- D. A guarantee of financing for the buyer**

In a real estate contract, a contingency refers to a condition that must be met for the contract to be binding. This means that certain events or actions must occur before the agreement can be fully enforced. For example, a common contingency might be dependent on the buyer obtaining financing or the completion of a satisfactory home inspection. If the specified condition does not occur, the parties involved typically have the option to void the contract without penalty. This mechanism protects buyers and sellers, ensuring that substantial commitments are only made when certain key factors are satisfied. Understanding contingencies is crucial for both buyers and sellers as they navigate the real estate process. They play an essential role in the negotiation phase and help to clarify the expectations of all parties involved.

8. Which of the following is NOT a protected characteristic under fair housing laws?

- A. Race**
- B. Age**
- C. Sex**
- D. Religion**

Under fair housing laws, protected characteristics are defined to ensure that individuals are not discriminated against in housing based on inherent traits or beliefs. The correct choice in this scenario is age, as it is not considered a protected characteristic under federal fair housing laws, such as the Fair Housing Act. The Fair Housing Act primarily addresses discrimination based on race, color, religion, sex, national origin, familial status, and disability. While age may be a factor in certain contexts, such as under senior housing regulations or for specific programs, it does not fall under the broad protections outlined in the Fair Housing Act. Therefore, housing discrimination based solely on age is usually not covered by federal law, which distinguishes it from the other listed characteristics that are explicitly protected to ensure equitable treatment in housing opportunities.

9. What is the primary difference between a mortgage and a deed of trust?

- A. A mortgage involves two parties, while a deed of trust involves three**
- B. A mortgage requires no down payment, while a deed of trust often does**
- C. A mortgage is used for residential properties while a deed of trust is used for commercial**
- D. A mortgage is for fixed-term loans, while a deed of trust is for variable loans**

The primary difference between a mortgage and a deed of trust lies in the number of parties involved in each transaction. A mortgage involves two parties: the borrower (mortgagor) and the lender (mortgagee). In contrast, a deed of trust includes three parties: the borrower (trustor), the lender (beneficiary), and a third party known as the trustee. The trustee holds the legal title to the property on behalf of the lender until the borrower pays off the loan. This structure allows the deed of trust to utilize a non-judicial foreclosure process, making it generally quicker and less expensive for lenders to recover their investment in the event of a default. While the other options address features related to mortgages and deeds of trust, they do not accurately capture this fundamental and actionable difference in party involvement. Hence, recognizing the unique structure of these documents is crucial for understanding how they function within real estate finance.

10. What is the role of the buyer's agent in a real estate transaction?

- A. To represent the seller's interests**
- B. To assist with property evaluations**
- C. To represent the interests of the buyer**
- D. To handle the closing process**

The buyer's agent plays a crucial role in a real estate transaction by focusing on representing the interests of the buyer. This representation involves understanding the buyer's needs, preferences, and budget and using that information to find suitable properties. A buyer's agent also provides valuable support throughout the buying process, including negotiating offers, advising on property values, and assisting with paperwork. They ensure that the buyer is informed about market conditions, potential issues with properties, and the implications of various offers. The agent's main objective is to advocate for the buyer, helping them make informed decisions and secure the best possible deal. This focus on advocating for the buyer distinguishes their role from other parties in the transaction, such as the seller's agent, who represents the seller's interests, or other entities involved in the transaction who may have different responsibilities, like handling the closing process.