

Hawaii Real Estate State Practice Exam (Sample)

Study Guide



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SAMPLE

Questions

- 1. Are time share acquisition agents who are not licensed as salespersons required to register with the Commission?**
 - A. Yes, always**
 - B. No, never**
 - C. Yes, unless exempted**
 - D. No, if they have a different qualification**
- 2. Which of the following best describes a fiduciary?**
 - A. One who works informally with a client**
 - B. One who acts in the best interest of their principal**
 - C. One who merely follows orders**
 - D. One who has limited rights**
- 3. What is the primary system used to describe real property in Hawaii?**
 - A. Plat and Parcel system**
 - B. Metes and Bounds System**
 - C. Government Survey System**
 - D. Azimuths and Benchmarks System**
- 4. What is the purpose of the Uniform Land Sales and Practices Act (ULSPA) in Hawaii?**
 - A. To regulate property taxes**
 - B. To protect purchasers of subdivided vacant lots**
 - C. To oversee commercial leases**
 - D. To manage property appraisals**
- 5. What is the primary purpose of a real estate Purchase Contract?**
 - A. To ensure the property is sold above market value.**
 - B. To outline the terms of sale and protect both parties' interests.**
 - C. To provide a formal title transfer document.**
 - D. To act as an advertisement for the property.**

- 6. Which type of foreclosure does not come with a statutory redemption period in Hawaii?**
- A. Tax foreclosure**
 - B. Mortgages**
 - C. Judgment liens**
 - D. Easement foreclosures**
- 7. Can a homeowner exemption on real property taxes be applied to condominiums?**
- A. Yes**
 - B. No**
 - C. Only for first-time buyers**
 - D. Only for luxury units**
- 8. Which of the following is NOT considered a customer in a real estate transaction?**
- A. A potential buyer attending an open house**
 - B. An owner represented by a buyer's agent**
 - C. A potential tenant managed by an agent**
 - D. A buyer engaging an agent for assistance**
- 9. What does the term "unit owners' common interest" refer to?**
- A. Proportion of the unit owned**
 - B. Involvement in community decisions**
 - C. Ownership stake in common elements**
 - D. Financial contribution to the association**
- 10. Is the land considered a limited common element under HRS 514B?**
- A. True**
 - B. False**
 - C. Only for certain properties**
 - D. Only during construction**

Answers

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

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Explanations

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1. Are time share acquisition agents who are not licensed as salespersons required to register with the Commission?

A. Yes, always

B. No, never

C. Yes, unless exempted

D. No, if they have a different qualification

Time share acquisition agents in Hawaii who are not licensed as salespersons are indeed required to register with the Commission. This requirement is part of maintaining regulation and oversight over time share sales to protect both consumers and the integrity of the real estate market. By requiring these agents to register, the Commission can ensure that they meet certain standards and are accountable for their practices. The necessity for registration does not depend on the specific circumstances or qualifications of the individual agent but applies universally to maintain a consistent regulatory framework. This helps in safeguarding buyers and ensuring that all parties involved in time share transactions adhere to the necessary legal and ethical standards.

2. Which of the following best describes a fiduciary?

A. One who works informally with a client

B. One who acts in the best interest of their principal

C. One who merely follows orders

D. One who has limited rights

A fiduciary is someone who is entrusted with the responsibility to act in the best interest of another party, typically known as the principal. This role is characterized by an obligation to provide loyalty, care, and good faith in the relationship, ensuring that any decisions made benefit the principal first and foremost. In the context of real estate, fiduciaries are often agents who represent buyers or sellers and must prioritize their clients' interests above their own. This involves providing honest advice, maintaining confidentiality, and full disclosure of pertinent information. By adhering to this standard, fiduciaries foster trust and uphold the ethical responsibilities that are intrinsic to their role. The other choices do not accurately capture the essence of a fiduciary. For instance, merely working informally with a client does not imply a fiduciary relationship, as it lacks the formal obligations required. Following orders alone does not encapsulate the proactive duty of care a fiduciary must exercise in decision-making. Lastly, having limited rights does not reflect the comprehensive responsibilities of a fiduciary that include safeguarding the principal's interests. Thus, the defining characteristic of a fiduciary is their commitment to acting in the best interest of their principal.

3. What is the primary system used to describe real property in Hawaii?

- A. Plat and Parcel system**
- B. Metes and Bounds System**
- C. Government Survey System**
- D. Azimuths and Benchmarks System**

The primary system used to describe real property in Hawaii is the Metes and Bounds system. This method defines property boundaries using a series of directions and distances, allowing for a detailed description of the land's dimensions and shape. The Metes and Bounds system is particularly useful in areas with irregular land shapes, as it can accommodate the natural contours of the land rather than relying on uniform grids. In Hawaii, the use of this system is prevalent due to the islands' unique geography and the historical practices of land surveying. The complexity of terrain often necessitates a more flexible approach to land description, which Metes and Bounds provides. Although other systems like the Government Survey System or the Plat and Parcel system may be utilized in certain contexts, they are not as fundamental to Hawaii's real estate description as the Metes and Bounds approach. The Azimuths and Benchmarks system is more technical and used for specific applications in surveying rather than for defining property in common real estate practices. Therefore, understanding the reliance on the Metes and Bounds system in Hawaii is essential for comprehending how real property is accurately described and delineated within the state.

4. What is the purpose of the Uniform Land Sales and Practices Act (ULSPA) in Hawaii?

- A. To regulate property taxes**
- B. To protect purchasers of subdivided vacant lots**
- C. To oversee commercial leases**
- D. To manage property appraisals**

The Uniform Land Sales and Practices Act (ULSPA) is designed primarily to protect purchasers of subdivided vacant lots. This legislation aims to address the potential issues and risks associated with purchasing land that has not yet been developed. Given the complexities and potential for fraud in land sales, ULSPA mandates that developers provide detailed disclosures about the properties being sold. This includes information about the zoning, amenities, and any other factors that might affect the buyer's decision. By focusing on transparency and ensuring that buyers are fully informed about what they are purchasing, ULSPA helps to safeguard consumers' interests and encourages ethical conduct in the real estate market. Understanding the purpose of ULSPA is crucial for anyone involved in real estate transactions in Hawaii, as it sets the standards for practices concerning the sale of subdivided lots and ultimately aims to enhance consumer protection.

5. What is the primary purpose of a real estate Purchase Contract?

- A. To ensure the property is sold above market value.**
- B. To outline the terms of sale and protect both parties' interests.**
- C. To provide a formal title transfer document.**
- D. To act as an advertisement for the property.**

The primary purpose of a real estate Purchase Contract is to outline the terms of sale and protect both parties' interests. This document serves as a legally binding agreement that details key aspects of the transaction, such as the purchase price, financing terms, contingencies, and the specific rights and obligations of both the buyer and the seller. By clearly defining each party's responsibilities and expectations, the contract helps to minimize misunderstandings and disputes, facilitating a smoother transaction. In contrast, ensuring that a property is sold above market value is not a core function of a Purchase Contract; rather, the contract reflects the agreed-upon price between the buyer and seller, which may or may not align with market values. While title transfer is a critical aspect of real estate transactions, a Purchase Contract primarily serves to set the terms for the transaction rather than to act as the title transfer itself, which is typically handled in a separate document. Additionally, while properties can be advertised, the Purchase Contract is a private agreement between the parties involved in the sale and is not intended for marketing purposes. This focusing on the terms and protections solidifies the Purchase Contract's role as integral to the real estate transaction process.

6. Which type of foreclosure does not come with a statutory redemption period in Hawaii?

- A. Tax foreclosure**
- B. Mortgages**
- C. Judgment liens**
- D. Easement foreclosures**

In Hawaii, the type of foreclosure that does not come with a statutory redemption period is associated with mortgages. When a property is foreclosed upon due to a mortgage default, the legal process does not provide the borrower with the option to redeem the property after the sale has taken place. This lack of a redemption period means that once the property is auctioned off, the former owner cannot reclaim it by paying off the amount owed. In contrast, other forms of foreclosure, such as tax foreclosures and those related to judgment liens, may allow for a redemption period, providing the former owner an opportunity to reclaim their property by paying off the necessary debts within a designated timeframe. Understanding this distinction is important for administrators and participants in real estate transactions within Hawaii, as it affects property rights and obligations after a foreclosure event.

7. Can a homeowner exemption on real property taxes be applied to condominiums?

A. Yes

B. No

C. Only for first-time buyers

D. Only for luxury units

The correct answer states that a homeowner exemption on real property taxes cannot be applied to condominiums. In Hawaii, the homeowner exemption is specifically designed for individuals who own and occupy a single-family residence as their principal dwelling. This exemption functions to reduce the taxable value of the property, thereby lowering the owner's property tax bill. Condos are usually classified differently because they are considered individual units within a larger property development, and they often have distinct legal characteristics that separate them from single-family homes. The exemption is not applicable to these units because the nature of ownership and occupancy in condominiums typically does not meet the same requirements as those for single-family residences regarding tax exemptions. Thus, while some Hawaii homeowners may benefit from homeowner exemptions in single-family homes, they generally cannot apply these exemptions to condos, which explains why the assertion that it cannot be applied to condominiums is accurate.

8. Which of the following is NOT considered a customer in a real estate transaction?

A. A potential buyer attending an open house

B. An owner represented by a buyer's agent

C. A potential tenant managed by an agent

D. A buyer engaging an agent for assistance

In a real estate transaction, a customer is typically defined as someone who is not represented by a licensed agent but is still engaged in a transaction. This individual benefits from the services provided by the agent and can receive information and assistance without a fiduciary relationship being established. When a buyer engages an agent for assistance, they enter into a formal agency relationship, which means the agent owes them fiduciary duties such as loyalty, confidentiality, and full disclosure. This relationship distinguishes the buyer as a client rather than a customer. Clients are entitled to a higher level of service and representation compared to customers. On the other hand, a potential buyer attending an open house, an owner represented by a buyer's agent, and a potential tenant managed by an agent are all classified as customers in this context. They are seeking information and assistance in the transaction but do not have the same level of representation that clients have. Therefore, engaging an agent for assistance denotes a client relationship, making it the correct choice that is not considered a customer in a real estate transaction.

9. What does the term "unit owners' common interest" refer to?

- A. Proportion of the unit owned**
- B. Involvement in community decisions**
- C. Ownership stake in common elements**
- D. Financial contribution to the association**

The term "unit owners' common interest" specifically refers to the ownership stake in the common elements of a property. In a condominium or cooperative scenario, common elements can include shared amenities like hallways, pools, gardens, and other facilities that are accessible to all unit owners. Each unit owner holds a proportional share of these common elements, which may affect their rights, responsibilities, and benefits derived from usage and governance. By owning a unit in a property that features common elements, a unit owner is also granted a percentage of rights to those shared spaces, as well as a say in matters that pertain to the maintenance and operation of the community as a whole. This collective ownership helps manage the financial aspects and administrative functions of the property, which is crucial for maintaining the standards of the community. Hence, understanding common interest is vital for unit owners to navigate their rights and obligations within the association.

10. Is the land considered a limited common element under HRS 514B?

- A. True**
- B. False**
- C. Only for certain properties**
- D. Only during construction**

In the context of HRS 514B, which governs the Hawaii Revised Statutes related to condominium property regimes, land is not considered a limited common element. Instead, land is categorized as a common element, which is the default classification for areas and features of a condominium that are shared amongst all unit owners. Limited common elements, conversely, are specific areas designated for the exclusive use of individual unit owners, such as balconies or designated parking spaces. The reasoning behind classifying land as a common element is that it is integral to the overall structure and function of the condominium complex and is shared by all residents. Therefore, it is essential for the maintenance and management of the property as a whole. In contrast, limited common elements are intended for the benefit of specific owners and are not available to all unit owners. This distinction is crucial in understanding ownership rights within a condominium setting in Hawaii, highlighting the shared nature of property rights compared to individual use rights. This fundamental understanding reinforces why the answer regarding land not being classified as a limited common element is accurate.