

Humber/Ontario Real Estate Course 3 Exam Practice (Sample)

Study Guide



Everything you need from our exam experts!

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SAMPLE

Questions

- 1. Salesperson Michelson has been working with a buyer to find a suitable house and then negotiate the best terms. The buyer hasn't signed a representation agreement at this point, but is ready to make an offer after seeing several homes. Which of the following is correct?**
- A. Michelson can prepare the offer once verbal disclosures are provided.**
 - B. The buyer is automatically considered a customer.**
 - C. Michelson is obligated to prepare, sign, and review a representation agreement with the buyer prior to preparing an offer.**
 - D. The buyer can refuse to sign a representation agreement and instead complete a customer service agreement.**
 - E. The buyer must sign a dual agency agreement.**
 - F. Michelson needs to consult with his brokerage before proceeding.**
- 2. Which of the following is a correct statement about the legal services provided by lawyers in real estate transactions?**
- A. The seller's lawyer completes the title search and prepares the statement of adjustments.**
 - B. A lawyer may be involved in providing advice to a seller prior to a residential property being listed.**
 - C. The buyer's lawyer completes the title search, but is not involved in other searches relating to work orders, tax arrears, etc.**
 - D. The buyer's lawyer is not involved in arranging title insurance, as buyers must do so directly with a title insurance company.**
 - E. The seller's lawyer handles all communication with the buyer's lawyer.**
 - F. The buyer's lawyer only handles the final closing documents.**

- 3. Which document would outline the specific terms agreed upon for the sale of a property?**
- A. Listing agreement.**
 - B. Agreement of Purchase and Sale.**
 - C. Title search report.**
 - D. Deed of conveyance.**
 - E. Mortgage contract.**
 - F. Inspection report.**
- 4. Broker Ethan mistakenly issues a cheque from the trust account causing a shortfall, discovered three days later. What should the Broker do?**
- A. An equivalent amount must be placed into the trust account immediately upon discovering the mistake.**
 - B. Administrative staff should be restricted from preparing cheques for signature.**
 - C. Broker Ethan should rectify the shortfall during the next trust account reconciliation process.**
 - D. Broker Ethan must cover the shortfall within a five-business-day period.**
- 5. Which statement about sourcing clients is accurate?**
- A. Cold calling is the most effective method**
 - B. Personal referrals can significantly enhance business**
 - C. Property open houses are ineffective in modern practice**
 - D. Social media advertising is outdated**
 - E. Street canvassing is illegal in many areas**
 - F. Use of client databases is not recommended**
- 6. If a buyer wants to give a salesperson a gift certificate for good service, under what condition can the salesperson accept it?**
- A. Cannot accept it as he is being paid by the seller.**
 - B. Accept it verbally by informing the seller.**
 - C. Accept indirect benefits if under \$50.00.**
 - D. Accept it if disclosed in writing to the seller.**

- 7. What coverage does condominium common areas provide?**
- A. Only areas apart from the individual units.**
 - B. Parking and storage spaces.**
 - C. All shared properties in the complex.**
 - D. All property areas and underlying components.**
- 8. What is true about the interest earned on a deposit made by a buyer pursuant to an accepted agreement of purchase and sale?**
- A. An 'interest on deposit' clause must be added to Schedule A, if the buyer wants to receive interest on the deposit.**
 - B. Any interest earned impacts the balance due on closing.**
 - C. Any interest earned on the deposit is automatically owed to the buyer.**
 - D. Any interest earned on the deposit is automatically owed to the seller.**
- 9. When renovating a 1950's home, it's recommended to:**
- A. Analyze all materials for asbestos content**
 - B. Hire a certified renovation expert for inspection**
 - C. Proceed without specific materials inspection**
 - D. Rely on visual assessment for asbestos**
 - E. Undertake DIY methods with caution**
 - F. Validate non-presence of asbestos instantly**
- 10. What is a correct statement about title insurance?**
- A. It might eliminate the need for a survey.**
 - B. Any title-related issue discovered before closing is excluded from coverage.**
 - C. Title insurance is beneficial only to buyers.**
 - D. It covers actual losses but not legal costs for claims.**
 - E. It is mandatory for all real estate transactions.**
 - F. Title insurance is only applicable for residential properties.**

Answers

SAMPLE

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

SAMPLE

Explanations

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1. Salesperson Michelson has been working with a buyer to find a suitable house and then negotiate the best terms. The buyer hasn't signed a representation agreement at this point, but is ready to make an offer after seeing several homes. Which of the following is correct?
- A. Michelson can prepare the offer once verbal disclosures are provided.
 - B. The buyer is automatically considered a customer.
 - C. Michelson is obligated to prepare, sign, and review a representation agreement with the buyer prior to preparing an offer.**
 - D. The buyer can refuse to sign a representation agreement and instead complete a customer service agreement.
 - E. The buyer must sign a dual agency agreement.
 - F. Michelson needs to consult with his brokerage before proceeding.

The correct answer is that Michelson is obligated to prepare, sign, and review a representation agreement with the buyer prior to preparing an offer. This requirement is rooted in the ethical and legal obligations of real estate professionals. A representation agreement establishes a formal relationship between the salesperson and the buyer, delineating the terms of service, responsibilities, and the nature of the relationship. By having this agreement in place before preparing an offer, Michelson ensures that the buyer is aware of and agrees to the level of service and obligations involved in their relationship. This helps protect both the buyer's interests and Michelson's legal standing in the transaction. It is a standard practice designed to foster transparency and trust between the parties involved. Other answers may suggest different scenarios, but they do not align with the requirement for formalizing the buyer's representation before moving forward with an offer.

2. Which of the following is a correct statement about the legal services provided by lawyers in real estate transactions?

A. The seller's lawyer completes the title search and prepares the statement of adjustments.

B. A lawyer may be involved in providing advice to a seller prior to a residential property being listed.

C. The buyer's lawyer completes the title search, but is not involved in other searches relating to work orders, tax arrears, etc.

D. The buyer's lawyer is not involved in arranging title insurance, as buyers must do so directly with a title insurance company.

E. The seller's lawyer handles all communication with the buyer's lawyer.

F. The buyer's lawyer only handles the final closing documents.

The correct statement about the legal services provided by lawyers in real estate transactions is that a lawyer may be involved in providing advice to a seller prior to a residential property being listed. Lawyers play a significant role in real estate transactions, and their expertise can be invaluable early in the selling process. Before a property is listed, sellers may require legal guidance on various matters, such as reviewing the property title, understanding potential legal liabilities, and discussing implications of certain disclosures. Having a lawyer involved at this stage helps ensure that the seller is fully informed about their rights, obligations, and any legal considerations that could impact the sale. This proactive legal involvement can help prevent problems later in the transaction process, making it an essential service that many sellers choose to utilize. In contrast, other statements refer to specific legal responsibilities that may not reflect the full scope of a lawyer's involvement or responsibilities in real estate transactions. For instance, the seller's lawyer handling the statement of adjustments is common, but that doesn't encompass the breadth of duties attorneys can provide prior to listing. Additionally, the notion that the buyer's lawyer is not involved in additional searches or in arranging title insurance oversimplifies the comprehensive legal services typically rendered during a transaction.

3. Which document would outline the specific terms agreed upon for the sale of a property?

- A. Listing agreement.**
- B. Agreement of Purchase and Sale.**
- C. Title search report.**
- D. Deed of conveyance.**
- E. Mortgage contract.**
- F. Inspection report.**

The Agreement of Purchase and Sale is the key document that details the specific terms agreed upon for the sale of a property. This document outlines critical elements such as the purchase price, deposit, closing date, and any conditions that must be satisfied before the sale is finalized. Both the buyer and seller sign this agreement, making it a legally binding contract that ensures both parties are clear on their obligations and rights throughout the transaction process. The other documents mentioned serve different purposes. A listing agreement is used between a seller and a real estate agent to officially enlist the agent's services in selling the property. A title search report pertains to the ownership history and any encumbrances on the property but does not detail sale terms. The deed of conveyance is the legal document that transfers ownership, executed after the agreement is reached. A mortgage contract outlines the terms regarding financing but does not specify the sale terms themselves. An inspection report assesses the condition of the property but is unrelated to the terms of sale.

4. Broker Ethan mistakenly issues a cheque from the trust account causing a shortfall, discovered three days later. What should the Broker do?

- A. An equivalent amount must be placed into the trust account immediately upon discovering the mistake.**
- B. Administrative staff should be restricted from preparing cheques for signature.**
- C. Broker Ethan should rectify the shortfall during the next trust account reconciliation process.**
- D. Broker Ethan must cover the shortfall within a five-business-day period.**

When a broker issues a cheque from a trust account that leads to a shortfall, it is critical to address the situation immediately to maintain the integrity of the trust account and ensure compliance with the regulatory requirements governing trust funds. By placing an equivalent amount back into the trust account immediately upon discovering the mistake, the broker is effectively rectifying the situation right away, which is essential in safeguarding the interests of the clients whose funds are held in trust. This prompt corrective action ensures that the trust account balance reflects the accurate amounts owing to clients, adhering to ethical standards and legal obligations. Addressing the shortfall immediately also helps to prevent any potential consequences or complications that may arise from a failure to maintain the necessary balance in the trust account. This is particularly important for maintaining the trust and confidence of clients and to mitigate the risk of disciplinary action from regulatory bodies. In contrast, other options involve delaying the correction process or preventative measures that do not resolve the immediate issue at hand. Immediate rectification is crucial in maintaining compliance and upholding the fiduciary responsibilities of the broker.

5. Which statement about sourcing clients is accurate?

- A. Cold calling is the most effective method**
- B. Personal referrals can significantly enhance business**
- C. Property open houses are ineffective in modern practice**
- D. Social media advertising is outdated**
- E. Street canvassing is illegal in many areas**
- F. Use of client databases is not recommended**

The statement regarding personal referrals being able to significantly enhance business is accurate because referral-based clients tend to trust the recommendations from people they know, which can lead to quicker, more comfortable transactions. Personal referrals often come with a built-in level of trust and confidence in the agent's capabilities, making it easier for real estate professionals to convert these leads into clients. This method not only tends to create a warmer interaction compared to cold leads but also has the potential to result in repeat business and a broader client base through the referral network established by satisfied clients. Conversely, cold calling can often generate mixed results due to the lack of personal connection, and open houses, while still useful, may not be as central to a modern strategy as networking and digital marketing. Social media remains a powerful tool for reaching potential clients; thus, characterizing it as outdated overlooks its relevance and effectiveness in current marketing strategies. Likewise, while street canvassing may be subject to local regulations, it is not altogether illegal in many areas. Lastly, maintaining and utilizing client databases is actually recommended for tracking interactions and nurturing relationships, contrary to the suggestion in the incorrect statement.

6. If a buyer wants to give a salesperson a gift certificate for good service, under what condition can the salesperson accept it?

- A. Cannot accept it as he is being paid by the seller.**
- B. Accept it verbally by informing the seller.**
- C. Accept indirect benefits if under \$50.00.**
- D. Accept it if disclosed in writing to the seller.**

The correct answer is that a salesperson can accept a gift certificate for good service if it is disclosed in writing to the seller. This condition aligns with professional standards and ethics in real estate, ensuring transparency in the transaction. Disclosing the acceptance of such a gift helps to maintain the integrity of the relationship between all parties involved, as it prevents any conflict of interest or appearance of impropriety. When a salesperson receives gifts or benefits, it is crucial to adhere to regulations that often exist to protect consumers and maintain ethical practices. Written disclosure ensures that the seller is aware of any potential benefits given directly to the salesperson and mitigates risks of misunderstandings or disputes later on. This kind of transparency is important for building trust and maintaining professionalism in real estate transactions.

7. What coverage does condominium common areas provide?

- A. Only areas apart from the individual units.**
- B. Parking and storage spaces.**
- C. All shared properties in the complex.**
- D. All property areas and underlying components.**

Condominium common areas coverage extends to all shared properties within the complex. This typically includes hallways, lobbies, elevators, pools, fitness centers, and other communal facilities that residents have access to. Additionally, it encompasses the exterior of the building and any properties that serve the overall function and utility of the condominium community. Understanding this coverage is important because it protects the financial interests of all the condominium owners against liabilities and damages that may occur in these shared spaces. Insurance for common areas is usually the responsibility of the condominium corporation, and appropriate coverage ensures that risks associated with the maintenance and operation of these areas are managed effectively. Other options may limit the scope of coverage to specific aspects, such as individual amenities or components, rather than the entirety of shared spaces, which is not reflective of the comprehensive nature of common areas insurance.

8. What is true about the interest earned on a deposit made by a buyer pursuant to an accepted agreement of purchase and sale?

- A. An 'interest on deposit' clause must be added to Schedule A, if the buyer wants to receive interest on the deposit.**
- B. Any interest earned impacts the balance due on closing.**
- C. Any interest earned on the deposit is automatically owed to the buyer.**
- D. Any interest earned on the deposit is automatically owed to the seller.**

The assertion is that any interest earned on the deposit made by a buyer pursuant to an accepted agreement of purchase and sale is automatically owed to the buyer. This is based on common practices in real estate transactions where the deposit serves as a security for the buyer's commitment to the agreement. Typically, any interest that accumulates on this deposit while held in a trust account is considered an asset of the buyer, and thus, the buyer has a claim to that interest when the transaction concludes or if the deposit is returned. The general assumption is that any interest generated during the holding period enhances the buyer's financial position, and since they provided the funds, it is reasonable that they benefit from any interest earned. This understanding is consistent with how trust accounts and deposit handling functions within real estate transactions, where the buyer is the source of the initial funds. In general, key factors influencing the treatment of interest on deposits include the terms specified in the purchase agreement, local regulations governing real estate transactions, and customary practices in the jurisdiction involved. It is always a good practice for parties in a transaction to clarify how interest on deposits will be handled in the agreement to avoid potential disputes.

9. When renovating a 1950's home, it's recommended to:

- A. Analyze all materials for asbestos content**
- B. Hire a certified renovation expert for inspection**
- C. Proceed without specific materials inspection**
- D. Rely on visual assessment for asbestos**
- E. Undertake DIY methods with caution**
- F. Validate non-presence of asbestos instantly**

Analyzing all materials for asbestos content is crucial when renovating a home built in the 1950s. During this period, asbestos was commonly used in various construction materials, including insulation, flooring products, and ceiling tiles, due to its fire-resistant properties. If asbestos is disturbed during renovation, it can pose serious health risks, including respiratory diseases and lung cancer. A thorough analysis ensures that any materials containing asbestos are identified and handled properly. This might involve hiring a professional to conduct tests on suspected materials, which is an important step to minimize risk and protect both workers and occupants of the home. While hiring a certified renovation expert for inspection is important and indeed a good practice, the key aspect here is the specific analysis of materials for asbestos, as it directly addresses the health and safety concerns associated with renovation work in older homes. This step is fundamental to ensure that any necessary precautions are taken before renovation begins, as opposed to merely relying on visual assessments or proceeding based on assumptions.

10. What is a correct statement about title insurance?

- A. It might eliminate the need for a survey.**
- B. Any title-related issue discovered before closing is excluded from coverage.**
- C. Title insurance is beneficial only to buyers.**
- D. It covers actual losses but not legal costs for claims.**
- E. It is mandatory for all real estate transactions.**
- F. Title insurance is only applicable for residential properties.**

Title insurance serves as a crucial element in real estate transactions by protecting property owners and lenders from potential defects in title that could arise after closing. The assertion that it might eliminate the need for a survey is accurate because title insurance can protect against various issues, such as mistakes in the public records or unknown liens, that would typically require a survey to identify. If a title insurance policy is comprehensive enough, it could mitigate the risks that would normally necessitate conducting a survey, allowing parties to proceed with confidence without incurring the additional expense and delay of surveying the property. The other statements fall short because they either misunderstand the scope of title insurance or misrepresent its requirements and benefits. Title insurance is not only for buyers; it serves both buyers and lenders, providing security for their investment. Title insurance does not typically exclude title-related issues discovered before closing; rather, it generally covers issues that may arise post-transaction that were not disclosed. Furthermore, while title insurance certainly covers actual losses, it primarily provides coverage for legal costs incurred during claims, contradicting the statement about its limited scope. Additionally, title insurance is not mandatory for all real estate transactions and applies to both residential and commercial properties. Understanding these nuances helps clarify the role of title insurance in protecting property owners