

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

Study Guide



Everything you need from our exam experts!

Copyright © 2025 by Examzify - A Kaluba Technologies Inc. product.

ALL RIGHTS RESERVED.

No part of this book may be reproduced or transferred in any form or by any means, graphic, electronic, or mechanical, including photocopying, recording, web distribution, taping, or by any information storage retrieval system, without the written permission of the author.

Notice: Examzify makes every reasonable effort to obtain from reliable sources accurate, complete, and timely information about this product.

SAMPLE

Questions

- 1. How significant is a comparative market analysis in establishing a competitive listing price?**
 - A. Determines the exact market value.**
 - B. Is often established by analyzing homes sold on the same street.**
 - C. Is a crucial component in establishing a saleable listing.**
 - D. Increases the likelihood of the home being used for comparison purposes, helping sales of other homes.**
 - E. Makes sure the home sells above asking price.**
 - F. Relies solely on current market trends.**

- 2. If a buyer submits an offer for \$329,900 with a \$20,000 deposit and a \$200,000 seller-financed mortgage, what would be the remaining balance on Schedule A?**
 - A. \$329,900.**
 - B. \$309,900.**
 - C. \$289,000.**
 - D. \$109,900.**
 - E. \$209,900.**
 - F. \$119,000.**

- 3. What preventative measure relates to well water contamination?**
 - A. A sound preventative measure relating to well water contamination is to ensure that the well cap is properly sealed.**
 - B. One water sample every three years is adequate for most recreational property wells.**
 - C. Well contractors only prepare well records for wells that exceed 100 feet in depth.**
 - D. The amount of well water available for use in a well system is solely related to the depth of the well.**

- 4. What should a salesperson disclose according to the REBBA Code of Ethics when a seller disclosure statement exists?**
- A. Details only to buyers who have submitted an offer.**
 - B. Information to all parties involved in other transactions.**
 - C. That the disclosure statement is available to interested buyers.**
 - D. The statement within a seven-day period of any inquiry.**
 - E. The statement only after a legal consultation.**
 - F. The statement upon the request of the seller.**
- 5. Which type of ownership is described as a fee simple ownership of a specific unit within a multiple unit dwelling, with shared ownership of common areas?**
- A. Co-operative ownership**
 - B. Co-ownership**
 - C. Condominium ownership**
 - D. Joint tenancy**
 - E. Real property ownership**
 - F. Time-share ownership**
- 6. What is typically observed in a strong seller's market?**
- A. Many properties for sale.**
 - B. Bidding wars and sales above asking prices.**
 - C. Fewer buyers than properties available.**
 - D. Stable market prices.**
- 7. According to REBBA, how can remuneration be structured for a real estate transaction?**
- A. As a flat fee only**
 - B. As a flat fee or percentage of the sale/rental price**
 - C. Only as a percentage of the sale/rental price**
 - D. Only based on a fixed government rate**
 - E. Based on competitive brokerage rates**
 - F. Determined solely by the brokerage after sale**

- 8. Which statement is accurate regarding sourced transaction approvals?**
- A. All property dealings must be reported under FINTRAC.**
 - B. Any sum equal to or above \$20,000 must be documented by an agent.**
 - C. Suspicious activities can be identified based on a property's listed value.**
 - D. Transaction approvals are less strict for properties sold under price thresholds.**
 - E. Informal agreements need not be reported to regulatory bodies.**
 - F. Buyer and seller anonymity is preserved as per privacy acts.**
- 9. Seller Thornton is interested in selling his home. After briefly meeting with a salesperson, he allows access to the property, provides information about it (which has been included in an unsigned seller representation), and allows the salesperson to show the property. As such:**
- A. An Agency Relationship Has Not Been Established, as a Seller Representation Agreement Has Not Been Signed**
 - B. The Seller Has Entered into a Seller Representation Agreement with the Salesperson's Brokerage**
 - C. The Salesperson May Have Created an Implied Agency Relationship Between the Employing Brokerage and the Seller**
 - D. The Salesperson's Employing Brokerage Is Best Described as a Third Party**
 - E. The Seller Is Obligated to Sign an Agreement Before Any Showings**
 - F. The Seller Must Pay a Commission Regardless of the Sale**
- 10. When assisting a buyer, what is an important aspect that Salesperson Alex should clarify?**
- A. The resale value of the property**
 - B. The differences between customer and client roles**
 - C. The environmental concerns related to the property**
 - D. The financial benefits of purchasing the property**
 - E. The detailed property inspection findings**
 - F. The market trends in the area**

Answers

SAMPLE

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

SAMPLE

Explanations

SAMPLE

1. How significant is a comparative market analysis in establishing a competitive listing price?
- A. Determines the exact market value.
 - B. Is often established by analyzing homes sold on the same street.
 - C. Is a crucial component in establishing a saleable listing.**
 - D. Increases the likelihood of the home being used for comparison purposes, helping sales of other homes.
 - E. Makes sure the home sells above asking price.
 - F. Relies solely on current market trends.

A comparative market analysis (CMA) is a vital tool in the real estate industry for establishing a competitive listing price for a property. Its significance lies in its ability to provide a thorough evaluation of similar properties in the same area—taking into consideration factors such as location, size, condition, and features. By analyzing these comparable properties, a CMA helps the real estate professional to gauge the current market conditions and competitive pricing strategies. The crucial component of the CMA process is that it provides a well-researched basis for setting a price that is both attractive to potential buyers and beneficial for the sellers. An appropriate listing price is essential for generating interest in the property and can significantly influence the time it takes to sell. It's not just about determining where the price should be set; it's about strategically placing a home in the market to motivate buyers and initiate offers. Thus, utilizing a CMA aids sellers in understanding how their property compares to others in the neighborhood, ensuring the home is competitively priced. This approach enhances the chances of a successful sale by aligning the property with current market demand, making C a strong justification of its importance in real estate transactions.

2. If a buyer submits an offer for \$329,900 with a \$20,000 deposit and a \$200,000 seller-financed mortgage, what would be the remaining balance on Schedule A?
- A. \$329,900.
 - B. \$309,900.
 - C. \$289,000.
 - D. \$109,900.**
 - E. \$209,900.
 - F. \$119,000.

In this scenario, the buyer is making an offer to purchase a property for a total price of \$329,900. The buyer is providing a \$20,000 deposit and wants a seller-financed mortgage of \$200,000. To understand the remaining balance on Schedule A, it's important to recognize that Schedule A outlines the total purchase price and any financing arrangements. The total purchase price of the property is \$329,900. The amount financed through the seller is \$200,000, which represents a portion of the total price that is not being covered by immediate cash or other arrangements. The deposit of \$20,000 reduces the amount of money the buyer will need to borrow. To calculate the remaining balance after considering the deposit and the seller-financed mortgage, determine how much of the total price is left after applying these two amounts: 1. Start with the total offer price: \$329,900. 2. Subtract the deposit: $\$329,900 - \$20,000 = \$309,900$. 3. From this amount, subtract the amount covered by the seller's mortgage: $\$309,900 - \$200,000 = \$109,900$. This result indicates the remaining balance that must be accounted for on Schedule A.

3. What preventative measure relates to well water contamination?

- A. A sound preventative measure relating to well water contamination is to ensure that the well cap is properly sealed.**
- B. One water sample every three years is adequate for most recreational property wells.**
- C. Well contractors only prepare well records for wells that exceed 100 feet in depth.**
- D. The amount of well water available for use in a well system is solely related to the depth of the well.**

The most effective preventative measure concerning well water contamination is ensuring that the well cap is properly sealed. A well cap acts as a barrier protecting the water supply from contaminants, such as bacteria, chemicals, and debris. If the well cap is not sealed correctly, it can allow surface water or foreign objects to enter the well, which poses a significant risk to water quality. While testing well water periodically is important for detecting contamination, relying on one water sample every three years may not provide a complete picture of the water's safety, especially for recreational properties that might experience varying levels of contamination due to factors like seasonal use or nearby pollution sources. The idea that well contractors only prepare records for wells deeper than 100 feet does not encompass the need for proper documentation of all wells, regardless of depth, especially since both shallow and deep wells can be susceptible to contamination. Finally, the accessible amount of well water is influenced by various factors like geological conditions, aquifer characteristics, and well design, not solely by the well's depth. A comprehensive approach to well management and maintenance is essential for ensuring water safety.

4. What should a salesperson disclose according to the REBBA Code of Ethics when a seller disclosure statement exists?

- A. Details only to buyers who have submitted an offer.**
- B. Information to all parties involved in other transactions.**
- C. That the disclosure statement is available to interested buyers.**
- D. The statement within a seven-day period of any inquiry.**
- E. The statement only after a legal consultation.**
- F. The statement upon the request of the seller.**

The correct response to the question about what a salesperson should disclose according to the REBBA Code of Ethics when a seller disclosure statement exists is that the salesperson should inform interested parties that the disclosure statement is available to them. This aligns with the principle of transparency and upholding the duty of care to clients and potential buyers. By indicating that the disclosure statement can be accessed by interested buyers, the salesperson fosters an environment of trust and provides buyers with the necessary information to make informed decisions regarding the property. This practice not only adheres to ethical standards but also aligns with legal expectations while promoting a fair and open real estate transaction process. In contrast, the other choices either limit the dissemination of this important information or impose conditions that do not align with the intent of the ethical guidelines. For instance, confining details to buyers who have submitted an offer undermines transparency before an offer is made, while stating that the disclosure must only be shared upon legal consultation could unnecessarily complicate straightforward transactions. Overall, ensuring that interested parties know they can access the disclosure statement aligns with ethical obligations to provide relevant information to potential buyers and helps support fair dealings in real estate transactions.

5. Which type of ownership is described as a fee simple ownership of a specific unit within a multiple unit dwelling, with shared ownership of common areas?

- A. Co-operative ownership**
- B. Co-ownership**
- C. Condominium ownership**
- D. Joint tenancy**
- E. Real property ownership**
- F. Time-share ownership**

Condominium ownership is characterized by fee simple ownership of an individual unit within a multi-unit dwelling, combined with shared ownership of common areas. In a condominium arrangement, each unit owner has a legal title to their specific unit, which gives them the right to sell or mortgage their unit independently. At the same time, all unit owners collectively own and maintain the common elements, such as hallways, swimming pools, and recreational facilities, through a condominium corporation. This structure allows residents to enjoy both private and communal living aspects. The other ownership types present alternative arrangements. Co-operative ownership, for example, involves ownership of shares in a corporation that owns the entire property rather than individual units. Co-ownership refers to a situation where two or more parties hold an interest in property. Joint tenancy emphasizes a form of co-ownership with rights of survivorship, which can complicate the definition of ownership within a complex. Real property ownership is a broad term that can include various forms ownership but does not specify the structure of shared spaces. Time-share ownership typically involves shared use of properties for specified periods rather than ownership of a distinct unit.

6. What is typically observed in a strong seller's market?

- A. Many properties for sale.**
- B. Bidding wars and sales above asking prices.**
- C. Fewer buyers than properties available.**
- D. Stable market prices.**

A strong seller's market is characterized by a high demand for properties and a low supply of properties for sale. This means that there are more buyers looking for homes than there are properties available for purchase. As a result, sellers have the upper hand and can set higher listing prices. This often leads to bidding wars, which means that buyers are competing against each other, driving up the sale price of the property. In contrast, a stable market typically has an equal balance between buyers and properties available, resulting in market prices that are more predictable and less likely to exceed the asking price. Options A and C are incorrect because they describe a buyer's market, where there are more properties available than there are interested buyers, making it easier for buyers to negotiate prices. Option D is incorrect because a stable market does not indicate a strong seller's market, as there is not enough demand to drive up prices.

7. According to REBBA, how can remuneration be structured for a real estate transaction?

- A. As a flat fee only**
- B. As a flat fee or percentage of the sale/rental price**
- C. Only as a percentage of the sale/rental price**
- D. Only based on a fixed government rate**
- E. Based on competitive brokerage rates**
- F. Determined solely by the brokerage after sale**

Remuneration for real estate transactions can be structured in various ways, but according to REBBA, the most common and accepted methods are through a flat fee or a percentage of the sale or rental price. Other options such as a fixed government rate (D) or competitive brokerage rates (E) do not align with REBBA guidelines and may not provide fair compensation for all parties involved. Similarly, allowing the brokerage to solely determine remuneration after the sale (F) may not be a transparent or standardized approach. Therefore, the most appropriate and recognized way to structure remuneration in a real estate transaction is through a combination of a flat fee and a percentage of the sale or rental price, as stated in option B.

8. Which statement is accurate regarding sourced transaction approvals?

- A. All property dealings must be reported under FINTRAC.**
- B. Any sum equal to or above \$20,000 must be documented by an agent.**
- C. Suspicious activities can be identified based on a property's listed value.**
- D. Transaction approvals are less strict for properties sold under price thresholds.**
- E. Informal agreements need not be reported to regulatory bodies.**
- F. Buyer and seller anonymity is preserved as per privacy acts.**

The statement that suspicious activities can be identified based on a property's listed value highlights a crucial aspect of due diligence in real estate transactions. The listed value of a property can serve as an important indicator in detecting unusual or potentially illicit activities. For example, if a property is listed at a value that significantly deviates from comparable properties in the area or the general market trends, it may raise red flags for further investigation. Regulatory bodies like FINTRAC aim to prevent money laundering and other financial crimes, making the determination of suspicious activity essential. Agents and real estate professionals are trained to recognize these anomalies, which can initiate a deeper inquiry into whether the transaction adheres to the legal requirements and ethical standards of the industry. In this context, it is also worth noting that the other choices provided do not correctly encapsulate the nature of sourced transaction approvals or the regulatory environment governing real estate transactions. For instance, while all financial transactions above a certain threshold may indeed warrant documentation, not all property dealings must be reported strictly under FINTRAC nor do informal agreements elude regulatory scrutiny entirely. Additionally, the strictness of transaction approvals typically doesn't vary based on property sale price thresholds but rather on the risk assessment of the transaction itself. Therefore, identifying suspicious activities through

9. Seller Thornton is interested in selling his home. After briefly meeting with a salesperson, he allows access to the property, provides information about it (which has been included in an unsigned seller representation), and allows the salesperson to show the property. As such:
- A. An Agency Relationship Has Not Been Established, as a Seller Representation Agreement Has Not Been Signed
 - B. The Seller Has Entered into a Seller Representation Agreement with the Salesperson's Brokerage
 - C. The Salesperson May Have Created an Implied Agency Relationship Between the Employing Brokerage and the Seller**
 - D. The Salesperson's Employing Brokerage Is Best Described as a Third Party
 - E. The Seller Is Obligated to Sign an Agreement Before Any Showings
 - F. The Seller Must Pay a Commission Regardless of the Sale

In this scenario, the correct answer is C. The salesperson may have created an implied agency relationship between the employing brokerage and the seller. This is because, even though a seller representation agreement has not been signed, the actions of the salesperson (gaining access to the property, obtaining information about it, and showing it) could imply that an agency relationship exists between the salesperson's brokerage and the seller. Implied agency can arise from the conduct of the parties involved, and in this case, the actions taken by the salesperson indicate a level of representation and responsibility towards the seller, potentially creating an implied agency relationship. Options A, B, D, E, and F are incorrect: A. An Agency Relationship Has Not Been Established, as a Seller Representation Agreement Has Not Been Signed - While a formal seller representation agreement is a common way to establish an agency relationship, as mentioned earlier, actions and conduct can also lead to an implied agency relationship. B. The Seller Has Entered into a Seller Representation Agreement with the Salesperson's Brokerage - This cannot be confirmed without a signed seller representation agreement. D. The Salesperson's Employing Brokerage Is Best Described as a Third Party - In real estate transactions, the brokerage represents the

10. When assisting a buyer, what is an important aspect that Salesperson Alex should clarify?

- A. The resale value of the property**
- B. The differences between customer and client roles**
- C. The environmental concerns related to the property**
- D. The financial benefits of purchasing the property**
- E. The detailed property inspection findings**
- F. The market trends in the area**

Clarifying the differences between customer and client roles is crucial because it sets the foundation for the relationship between the salesperson and the buyer. Understanding these distinctions ensures that the buyer knows whether they are receiving general information as a customer or more personalized, fiduciary services as a client. This clarity helps in managing expectations and fosters trust, which is essential in the real estate transaction process. Having this understanding also ensures that the salesperson can represent the buyer's interests appropriately and protect their rights throughout the transaction. Without this clarity, there can be confusion about the level of service and obligation that the salesperson has towards the buyer.