

Illinois Real Estate Practice Exam (Sample)

Study Guide



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SAMPLE

Questions

- 1. What is the term for a recorded notice of an ongoing lawsuit affecting the title to real property?**
 - A. A. Action for Title**
 - B. B. Encumbrance Notice**
 - C. C. Title Claim Record**
 - D. D. Lis Pendens**
- 2. What type of lease increases over a period of time?**
 - A. Ground Lease**
 - B. Variable Lease**
 - C. Gross Lease**
 - D. Triple Net Lease**
- 3. What does a buyer have when purchasing a home under an installment contract until completing the payment to the seller?**
 - A. Acceleration Clause**
 - B. Alienation Clause**
 - C. Equitable Title**
 - D. Prepayment Penalty Clause**
- 4. A developer builds a complex of buildings. If she desires to separate the ownership of the buildings from the land, she should sell the buildings but require the land be used under which of the following leases:**
 - A. Ground Lease**
 - B. Tenant Lease**
 - C. Net Lease**
 - D. Fixed Lease**
- 5. What must Jackie do if her sponsoring broker has his license suspended?**
 - A. Suspend all her real estate activities**
 - B. Invest profits of the property on behalf of the client**
 - C. Provide a specified rent increase at set future dates**
 - D. Give a history of the title, including recorded encumbrances against the property**

- 6. What may be applied to raise or lower assessments in a particular district or county?**
- A. Annual Sale**
 - B. Equalization Factor**
 - C. Appropriation**
 - D. Priority Of Liens**
- 7. A licensee has an exclusive right to seek listing with a seller who is looking to buy a store front. Her commission from the sale of this unit will be \$4,000. She also enters into an agreement with another client who is selling his store on the same block. The commission on this exclusive right to sell listing on this property will be equal to \$5,000. The agent introduces these two clients to each other and they end up exchanging properties. What is the licensee's commission:**
- A. \$9,000**
 - B. \$8,000**
 - C. \$7,000**
 - D. \$6,000**
- 8. What occurs in a situation of Constructive Eviction in a lease agreement?**
- A. The tenant voluntarily vacates the property**
 - B. The landlord forces the tenant out for non-payment**
 - C. The landlord's actions render the unit uninhabitable**
 - D. The tenant sublets the unit illegally**
- 9. A percolation test shows:**
- A. How deep the water table is**
 - B. How fast water is absorbed into the ground**
 - C. The quality of water in the ground**
 - D. The temperature of the water in the ground**

10. What type of lease requires the lessee to pay for the taxes, insurance, and maintenance on the property in addition to the monthly rent?

- A. Gross Lease**
- B. Net Lease**
- C. Triple Net Lease**
- D. Double Net Lease**

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Answers

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

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Explanations

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1. What is the term for a recorded notice of an ongoing lawsuit affecting the title to real property?

- A. A. Action for Title**
- B. B. Encumbrance Notice**
- C. C. Title Claim Record**
- D. D. Lis Pendens**

The term for a recorded notice of an ongoing lawsuit affecting the title to real property is indeed "Lis Pendens." This Latin phrase translates to "a suit pending," and it serves as a warning to potential buyers or lenders that there is a legal dispute underway involving the property in question. By recording a lis pendens, the party involved in the lawsuit puts others on notice that their claims or legal actions could impact the ownership or value of the property. This is essential for protecting legal interests and ensuring that parties are aware of possible encumbrances before making decisions about the property. The other terms do not serve the same purpose. For example, an action for title refers to a specific legal proceeding to establish ownership rather than a notice about ongoing litigation. Encumbrance notice typically refers to issues like liens but is not specifically about litigation. Title claim record is not a commonly recognized or used term in this context. Thus, lis pendens is the appropriate term that accurately describes the situation presented in the question.

2. What type of lease increases over a period of time?

- A. Ground Lease**
- B. Variable Lease**
- C. Gross Lease**
- D. Triple Net Lease**

The type of lease that increases over a period of time is a variable lease. Variable leases, also known as fluctuating leases, incorporate scheduled increases in rent over specific intervals. This could be tied to an index or predetermined increase rates, allowing the landlord to adjust the rent based on market conditions or inflation, which provides greater financial predictability for both landlords and tenants. In contrast, a ground lease typically involves leasing land only, with the tenant building on that land. A gross lease involves a fixed rental payment where the landlord covers all property operating expenses. A triple net lease requires the tenant to pay for additional costs such as property taxes, insurance, and maintenance, and while it can result in varying total payments, the base rent itself typically does not change during the lease term unless renegotiated.

3. What does a buyer have when purchasing a home under an installment contract until completing the payment to the seller?

A. Acceleration Clause

B. Alienation Clause

C. Equitable Title

D. Prepayment Penalty Clause

When a buyer purchases a home under an installment contract, they acquire what is known as equitable title. This means that while the legal title is held by the seller until the buyer completes all the payments, the buyer has a right to possess and enjoy the property. Equitable title grants the buyer certain rights and interests in the property, allowing them to benefit from its use and even to sell their interest in it, subject to the terms of the contract. In this context, the other options pertain to different concepts that do not apply specifically to the rights of the buyer in an installment contract scenario. An acceleration clause, for instance, allows a lender to require full repayment of a loan if certain conditions are met, while an alienation clause involves the transfer of property ownership by the borrower. Additionally, a prepayment penalty clause pertains to the penalties incurred for paying off a loan before its due date, which does not directly relate to the installment purchase process. Thus, the concept of equitable title is most relevant to a buyer's rights in this specific situation.

4. A developer builds a complex of buildings. If she desires to separate the ownership of the buildings from the land, she should sell the buildings but require the land be used under which of the following leases:

A. Ground Lease

B. Tenant Lease

C. Net Lease

D. Fixed Lease

The most suitable approach for the developer to separate the ownership of the buildings from the land is through a ground lease. A ground lease allows the developer to lease the land to a tenant while the tenant holds ownership of the buildings on that land. This type of lease typically is long-term, often extending several decades, which supports the investment the tenant makes in building structures. When structured effectively, a ground lease allows the landowner to retain ownership of the land while receiving a steady income from the lease, and at the end of the lease term, the landowner typically gains ownership of any improvements made by the tenant. In contrast, options like tenant leases, net leases, or fixed leases do not focus specifically on the separation of land and building ownership, and they tend to apply more to situations involving residential or commercial spaces where ownership is not notably divided. This makes the ground lease the correct choice for achieving the developer's intent.

5. What must Jackie do if her sponsoring broker has his license suspended?
- A. Suspend all her real estate activities**
 - B. Invest profits of the property on behalf of the client
 - C. Provide a specified rent increase at set future dates
 - D. Give a history of the title, including recorded encumbrances against the property

If Jackie's sponsoring broker has his license suspended, it is crucial for Jackie to suspend all her real estate activities. When a sponsoring broker's license is suspended, any agents working under that broker must cease their real estate activities until the sponsoring broker's license is reinstated or until they find a new sponsoring broker to work under. This is to ensure compliance with real estate regulations and to protect the interests of clients and the public. Options B, C, and D are unrelated to the situation described in the question and do not align with the proper course of action for Jackie in this scenario.

6. What may be applied to raise or lower assessments in a particular district or county?
- A. Annual Sale
 - B. Equalization Factor**
 - C. Appropriation
 - D. Priority Of Liens

The correct answer is indeed the equalization factor. This tool is used to adjust property assessments in a given district or county to ensure that property taxes are fairly distributed among properties. When a particular district has unequal property assessments compared to others, an equalization factor can be applied to either raise or lower the value of assessments, thereby aligning them more closely with the overall values in the region. This process helps to maintain equity in taxation, ensuring that similar properties are assessed similarly and that property owners are paying their fair share based on current market values. The equalization factor serves as a corrective measure to address disparities in property valuation that could arise due to various factors, such as market trends or local conditions. In contrast, the other options do not serve the same purpose. Annual sale refers to a practice of assessing properties based on recent sales, which does not directly influence the adjustment of assessments. Appropriation relates to the legal allocation of funds, typically for government budgets, and does not pertain to property assessment adjustments. Priority of liens pertains to the order in which claims against a property are settled, which is unrelated to how property assessments are modified.

7. A licensee has an exclusive right to seek listing with a seller who is looking to buy a store front. Her commission from the sale of this unit will be \$4,000. She also enters into an agreement with another client who is selling his store on the same block. The commission on this exclusive right to sell listing on this property will be equal to \$5,000. The agent introduces these two clients to each other and they end up exchanging properties. What is the licensee's commission:

A. \$9,000

B. \$8,000

C. \$7,000

D. \$6,000

The licensee earns commissions from both transactions due to her exclusive rights to represent each client. When the licensee introduced the seller and buyer who exchanged properties, she is entitled to receive both commissions because she represented them in their respective transactions. The licensee's commission from the sale of the storefront she was helping the buyer find amounts to \$4,000. Additionally, she earns a commission of \$5,000 from the sale of the store owned by the other client. By adding these two amounts together, the total commission becomes \$4,000 plus \$5,000, which equals \$9,000. Therefore, the correct answer reflects the total commission earned by the licensee in facilitating both transactions and is \$9,000.

8. What occurs in a situation of Constructive Eviction in a lease agreement?

A. The tenant voluntarily vacates the property

B. The landlord forces the tenant out for non-payment

C. The landlord's actions render the unit uninhabitable

D. The tenant sublets the unit illegally

In a situation of Constructive Eviction, the key element is that the landlord's actions have made the rented unit uninhabitable or significantly impaired the tenant's ability to enjoy and use the property. This can happen through various means, such as inadequate maintenance, failure to provide essential services (like heat or water), or creating an environment that poses a risk to health and safety. Although the tenant does not receive a formal eviction notice, the conditions created by the landlord are so severe that the tenant is effectively forced to leave because they cannot reasonably continue to occupy the space. This concept is important in lease agreements, as it emphasizes the landlord's obligation to maintain the property in a habitable condition. If a tenant does experience such conditions and subsequently vacates the property, they may have legal grounds to terminate the lease without penalty due to the landlord's failure to uphold their responsibilities.

9. A percolation test shows:

- A. How deep the water table is**
- B. How fast water is absorbed into the ground**
- C. The quality of water in the ground**
- D. The temperature of the water in the ground**

A percolation test is primarily designed to evaluate the rate at which water is absorbed into the ground, which is critical information when determining the suitability of soil for a septic system or lagoon. During this test, water is introduced into a dug hole and timed to see how quickly the water level drops. The results indicate how well the soil can drain, which can significantly impact the design and permit approval of septic systems, especially in areas where municipal sewer systems are unavailable. This measurement helps ensure that any effluent discharged into the ground can be adequately treated by the soil, promoting environmental safety and preventing contamination. Other options, such as determining the depth of the water table or the quality and temperature of underground water, are not outcomes of a percolation test. Therefore, the focus on the absorption rate makes this answer the most appropriate choice for what a percolation test reveals.

10. What type of lease requires the lessee to pay for the taxes, insurance, and maintenance on the property in addition to the monthly rent?

- A. Gross Lease**
- B. Net Lease**
- C. Triple Net Lease**
- D. Double Net Lease**

A Net Lease requires the lessee to pay for taxes, insurance, and maintenance on the property in addition to the monthly rent. In a Net Lease arrangement, the tenant is responsible for these additional costs, which allows the landlord to have a more predictable income stream without being burdened by the expenses related to the property's taxes, insurance, and maintenance. A Gross Lease, on the other hand, typically includes all costs in the monthly rent, so the tenant is not responsible for additional expenses such as taxes and maintenance. A Triple Net Lease is an arrangement where the tenant is responsible for taxes, insurance, maintenance, and other operating expenses of the property, whereas a Double Net Lease typically only requires the tenant to pay for taxes and insurance, not maintenance.