

Illinois Real Estate Practice Exam (Sample)

Study Guide



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SAMPLE

Questions

- 1. What type of lien is created by a statute?**
 - A. Statutory Lien**
 - B. Involuntary Lien**
 - C. Specific Lien**
 - D. Voluntary Lien**
- 2. What is redlining in real estate practices?**
 - A. Making corrections on a red pen to property documents**
 - B. Designating underground utility lines on city maps**
 - C. Using red borders on property listings**
 - D. Insurance company or mortgage charge different rates on protected class**
- 3. Which party typically pays the real estate agent's commission in a residential transaction?**
 - A. The seller**
 - B. The buyer**
 - C. Both parties equally**
 - D. The lender**
- 4. What are trespassers granted after continuously using a property for 20 years?**
 - A. Easement By Necessity**
 - B. Easement Appurtenant**
 - C. Easement By Prescription**
 - D. Easement In Gross**
- 5. What is the consequence for practicing real estate without a license in Illinois?**
 - A. A. \$10,000 civil penalty**
 - B. B. License suspension**
 - C. C. \$25,000 civil penalty**
 - D. D. Written warning**

- 6. Who receives the property in a transaction and must be identified with reasonable certainty?**
- A. Grantee**
 - B. Grantor**
 - C. Optionee**
 - D. Optionor**
- 7. In a tax sale scenario, if no bids are made on a property, what happens to the property?**
- A. Annual Sale**
 - B. Equitable Lien**
 - C. General Real Estate Taxes**
 - D. Forfeiture Sale**
- 8. What type of listing arrangement involves multiple brokerages selling a property?**
- A. Exclusive Listing**
 - B. Net Listing**
 - C. Open Listing**
 - D. Exclusive Right to Sell Listing**
- 9. What is the purpose of a title search in a real estate transaction?**
- A. To confirm the property's current market value**
 - B. To determine the property's rental potential**
 - C. To verify the seller's identity**
 - D. To uncover any existing liens or other encumbrances**
- 10. Which party is known as the Mortgagor in a real estate deal?**
- A. Lender**
 - B. Mortgagor**
 - C. Buyer**
 - D. Grantor**

Answers

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

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Explanations

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1. What type of lien is created by a statute?

- A. Statutory Lien**
- B. Involuntary Lien**
- C. Specific Lien**
- D. Voluntary Lien**

A statutory lien is indeed the correct choice because it is specifically created by legislation or statute. This type of lien automatically attaches to a property to secure payment for certain types of debts defined by law, such as property taxes or mechanics' liens for unpaid work performed on the property. The classification of liens automatically generated by law distinguishes them from other types of liens, which might be established through contracts or voluntary agreements. In contrast, options related to involuntary liens refer to those that are imposed against a property without the property owner's consent, which could include statutory liens. However, not all involuntary liens are statutory. Specific liens only attach to a particular property, while voluntary liens come from a borrower's agreement, such as a mortgage. Thus, statutory lien is the most precise descriptor for a lien created by legislation.

2. What is redlining in real estate practices?

- A. Making corrections on a red pen to property documents**
- B. Designating underground utility lines on city maps**
- C. Using red borders on property listings**
- D. Insurance company or mortgage charge different rates on protected class**

Redlining refers to the discriminatory practice of insurance companies or mortgage lenders charging different rates or outright denying services based on a person's membership in a protected class, such as race, ethnicity, or socioeconomic status. This practice has historically resulted in a lack of access to mortgage loans or insurance for communities of color and other marginalized groups, contributing to systemic inequality and segregation in housing. The other options do not accurately represent the concept of redlining. Making corrections with a red pen pertains to editing documents and has no relation to discrimination. Designating underground utility lines involves urban planning and infrastructure management, while using red borders on property listings describes a visual marketing technique unrelated to fair housing practices. Therefore, identifying the discriminatory financial practices associated with redlining highlights the significant impact this term has had on real estate and community development.

3. Which party typically pays the real estate agent's commission in a residential transaction?

- A. The seller**
- B. The buyer**
- C. Both parties equally**
- D. The lender**

In most residential real estate transactions, it is customary for the seller to pay the real estate agent's commission. This practice often reflects the seller's obligation to cover the costs associated with the sale of their property, including paying the agent who assists them in marketing and selling the home. The system is structured to incentivize agents to maximize the sale price of the property and to attract buyers. Since the seller is usually the one who benefits directly from the sale, it makes logical sense for them to cover this expense. Additionally, in many cases, the commission is included in the selling price of the home, impacting the overall negotiation dynamics. While buyers can also have representation, and in some situations, they may contribute to the commission, the prevailing norm remains that the seller is responsible for paying the real estate agent's fees in these transactions. This layout helps streamline the process and enables agents to focus on their role in facilitating the sale effectively.

4. What are trespassers granted after continuously using a property for 20 years?

- A. Easement By Necessity**
- B. Easement Appurtenant**
- C. Easement By Prescription**
- D. Easement In Gross**

When a trespasser continuously uses someone else's property for a specific period, in Illinois, they may acquire what is known as an easement by prescription. This legal concept allows a person to gain the right to use a portion of someone else's land if they have openly, continuously, and exclusively used it under certain conditions for a statutory period, which is typically 20 years in Illinois. To establish an easement by prescription, the use must be adverse to the interests of the property owner, meaning the trespasser's use is without permission and contrary to what the owner would want. The key elements are the duration of use, the nature of the use—being open and notorious without concealment, and the lack of permission from the landowner. This distinction is significant because it emphasizes that the rights granted are based on continuous and undisputed use rather than any formal agreement or permission from the property owner. Consequently, the trespasser transitions from a mere unlawful occupant to having a legally recognized right over that portion of the property, under certain conditions. This is how the law balances the rights of property owners with the realities of long-standing, uninterrupted use by another party.

5. What is the consequence for practicing real estate without a license in Illinois?

- A. A. \$10,000 civil penalty**
- B. B. License suspension**
- C. C. \$25,000 civil penalty**
- D. D. Written warning**

Practicing real estate without a license in Illinois can lead to significant financial penalties. The correct answer highlights that an individual can face a civil penalty of up to \$25,000. This amount reflects the seriousness with which the state views unlicensed real estate practice, as it can undermine consumer protection and potentially harm the integrity of the marketplace. In Illinois, the real estate industry is strictly regulated to ensure that all transactions are conducted by qualified professionals who have met necessary educational and licensing requirements. Engaging in real estate activities without a proper license not only risks substantial fines but also jeopardizes the rights and safety of consumers who rely on licensed agents for guidance and protection in their transactions. Other options, like civil penalties lower than \$25,000, license suspensions, or written warnings are less punitive compared to the maximum financial consequences imposed for unlicensed activity.

6. Who receives the property in a transaction and must be identified with reasonable certainty?

- A. Grantee**
- B. Grantor**
- C. Optionee**
- D. Optionor**

In a real estate transaction, the grantee is the individual or entity that receives the property from the grantor. This party must be identified clearly within the transaction documents to ensure that there is no doubt about who is entitled to the property rights being conveyed. The requirement for identification with reasonable certainty serves to protect all parties involved, as it specifies who holds ownership after the transfer. The grantee's identification is critical for the formal recording of the deed, which is an essential part of the property transfer process. Without a clearly defined grantee, the transaction could face legal challenges, uncertainties, or potential disputes regarding ownership. Understanding the roles of the grantor and the grantee is vital in real estate transactions. The grantor, who transfers the property, and the optionee and optionor, who are typically involved in options for future transactions, do not directly receive the property in a traditional conveyance scenario. Therefore, the focus on the grantee highlights their essential function in the transfer of property ownership.

7. In a tax sale scenario, if no bids are made on a property, what happens to the property?

- A. Annual Sale**
- B. Equitable Lien**
- C. General Real Estate Taxes**
- D. Forfeiture Sale**

In a tax sale scenario, if no bids are made on a property, forfeiture sale is the correct answer because it refers to the process where the property is essentially forfeited to the state or local taxing authority due to unpaid taxes. This can occur when a property owner fails to pay property taxes, leading to the property being put up for auction to recover the owed taxes. If the auction does not attract any bids, the property is then forfeited, meaning it is taken by the government. This process emphasizes the importance of property tax compliance for homeowners and property investors, as failure to pay taxes can ultimately lead to the loss of the property. In the context of a forfeiture sale, the property will not be sold to a private buyer, and instead, it may eventually be owned by the government, which may then choose to sell it later or make it available for rehabilitation or other uses. This outcome illustrates the consequences of failing to fulfill tax obligations on real estate. The other options do not accurately describe the situation where no bids are made. The annual sale refers to the scheduled opportunity for tax purchasers to bid on properties with delinquent taxes. An equitable lien is a legal claim on property that exists but may not yet be enforced. General real

8. What type of listing arrangement involves multiple brokerages selling a property?

- A. Exclusive Listing**
- B. Net Listing**
- C. Open Listing**
- D. Exclusive Right to Sell Listing**

The correct answer is related to an arrangement that allows multiple brokerages the opportunity to market and sell a property, which indeed corresponds to an open listing. In an open listing, the property owner can engage as many brokers as they wish to sell the property, and the commission typically goes to the broker who brings the buyer. This structure promotes competition among brokers and offers the seller flexibility. The exclusive listing arrangements, such as the exclusive right to sell, limit the property to a single brokerage, granting them the sole right to earn the commission regardless of who finds the buyer. A net listing, while less commonly used due to legal concerns, focuses on ensuring that the seller receives a predetermined amount after the sale, with the broker keeping any amount over that as commission.

9. What is the purpose of a title search in a real estate transaction?

- A. To confirm the property's current market value**
- B. To determine the property's rental potential**
- C. To verify the seller's identity**
- D. To uncover any existing liens or other encumbrances**

A title search is an essential step in the real estate transaction process. Its primary purpose is to uncover any existing liens, encumbrances, or claims against the property that may affect its ownership or transfer. By conducting a title search, a buyer can identify any legal issues related to the property, such as unpaid mortgages, tax liens, easements, or other claims that may not be evident from an initial review of the property. This process ensures that the buyer can confidently proceed with the purchase, knowing that they will receive clear title to the property without any hidden complications. Additionally, discovering these issues early allows the buyer or their legal representation to address them before closing the transaction, potentially avoiding legal disputes or financial liabilities in the future. The other options, while relevant to real estate, do not pertain directly to the primary function of a title search. Confirming market value, assessing rental potential, and verifying a seller's identity are all crucial aspects of the real estate process but are separate from the objectives of conducting a title search.

10. Which party is known as the Mortgagor in a real estate deal?

- A. Lender**
- B. Mortgagor**
- C. Buyer**
- D. Grantor**

The mortgagor in a real estate deal is typically the party that borrows money to purchase property, and this role is most accurately aligned with the buyer in the transaction. The buyer takes out a mortgage loan from a lender and pledges the property as collateral for the debt. In mortgage terminology, the buyer becomes the mortgagor because they are the one who is granting a mortgage lien on the property to secure their obligation to repay the loan. In contrast, the lender is known as the mortgagee, as they provide the loan to the mortgagor. The grantor typically refers to the party that conveys or transfers property rights, and may not necessarily align with mortgage scenarios. Understanding these distinctions is crucial for anyone involved in real estate transactions, as it helps clarify the roles and responsibilities of each party.