

Indiana 90-Hour Broker Course Practice Exam (Sample)

Study Guide



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SAMPLE

Questions

- 1. What is the purpose of a conditional use permit?**
 - A. To allow any type of land development without restrictions**
 - B. To permit a land use that is typically not allowed in a specific zoning district**
 - C. To change the zoning classification of a property**
 - D. To establish a temporary use of land for events**
- 2. What is the primary purpose of a home inspection?**
 - A. To increase the property's selling price**
 - B. To assess the condition of a property before purchase and identify potential issues**
 - C. To estimate renovation costs**
 - D. To evaluate the neighborhood's property values**
- 3. What condition might increase the chances of foreclosure for homeowners?**
 - A. High equity in the property**
 - B. Consistent payment history**
 - C. Loss of consistent income**
 - D. No existing debts**
- 4. Whose responsibility is it to complete the Seller's Residential Real Estate Sales Disclosure form in Indiana?**
 - A. The seller**
 - B. The buyer**
 - C. The real estate agent**
 - D. The appraiser**
- 5. During closing, who is responsible for delivering the title commitment?**
 - A. The seller's attorney**
 - B. The title company representative**
 - C. The buyer's agent**
 - D. The mortgage lender**

- 6. What type of insurance protects against title defects and ownership disputes?**
- A. Liability Insurance**
 - B. Title Insurance**
 - C. Homeowners Insurance**
 - D. Flood Insurance**
- 7. In a real estate transaction, whom may a licensee represent?**
- A. Only the seller**
 - B. Only the buyer**
 - C. Client or customer**
 - D. Real estate agencies**
- 8. What happens if a broker violates ethical standards in Indiana?**
- A. They may be required to complete additional training**
 - B. They can be fined but not lose their license**
 - C. They may face disciplinary action from the Indiana Real Estate Commission**
 - D. Only the client can take legal action**
- 9. What does a covenant signify between a lessor and lessee?**
- A. A violation of lease terms**
 - B. A financial guarantee**
 - C. An agreement or promise made between the parties**
 - D. A termination of the lease**
- 10. What is meant by "exclusive right to sell"?**
- A. A listing that allows multiple brokers to market a property**
 - B. A contract giving one broker exclusive marketing rights**
 - C. A method for property evaluation**
 - D. A type of property ownership**

Answers

SAMPLE

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

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Explanations

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1. What is the purpose of a conditional use permit?

- A. To allow any type of land development without restrictions
- B. To permit a land use that is typically not allowed in a specific zoning district**
- C. To change the zoning classification of a property
- D. To establish a temporary use of land for events

A conditional use permit serves an important function in land use planning and zoning regulations. It is specifically designed to allow a land use that is generally not permitted within a certain zoning district, provided that the proposed use will still align with the broader objectives of the zoning laws. These permits are typically granted under specific conditions that ensure the use is compatible with surrounding properties and does not negatively impact the community. For instance, a residential neighborhood may not usually allow commercial activities; however, a conditional use permit could allow for a small daycare center to operate, assuming it meets certain criteria and conditions imposed by the local zoning authority. The other choices do not accurately reflect the function of a conditional use permit. Allowing unrestricted land development would undermine zoning protections. Changing the zoning classification of a property falls under a different process known as rezoning, which is more formal and requires public hearings and approvals. Establishing temporary land uses does not align with the long-term intent of a conditional use permit, as it is intended for uses that have a more permanent or ongoing nature with set conditions attached.

2. What is the primary purpose of a home inspection?

- A. To increase the property's selling price
- B. To assess the condition of a property before purchase and identify potential issues**
- C. To estimate renovation costs
- D. To evaluate the neighborhood's property values

The primary purpose of a home inspection is to assess the condition of a property before purchase and identify potential issues. This process is crucial for both buyers and sellers, as it allows the prospective buyer to understand the true state of the property they are considering. A home inspection can uncover issues related to the structural integrity, safety, and necessary repairs that may not be immediately visible during a casual walkthrough of the home. This thorough assessment helps buyers make informed decisions, negotiating repair requests or price adjustments based on the findings. Furthermore, it assists in avoiding unexpected costs after the purchase. Home inspections are a vital step in the buying process, providing an objective evaluation that aids all parties involved in the transaction. The other choices reflect activities that may be related to real estate, but do not capture the primary purpose of a home inspection. For example, increasing a property's selling price is often a goal for sellers, but it is not the aim of a home inspection. Similarly, estimating renovation costs and evaluating neighborhood property values are separate assessments that can inform decisions but do not directly relate to the core function of a home inspection.

3. What condition might increase the chances of foreclosure for homeowners?

- A. High equity in the property**
- B. Consistent payment history**
- C. Loss of consistent income**
- D. No existing debts**

The likelihood of foreclosure significantly increases when homeowners experience a loss of consistent income. This downturn in income can make it difficult or impossible for homeowners to meet their mortgage payments, especially if they have fixed financial obligations or other outstanding debts. Without a steady stream of income, homeowners may find themselves unable to prioritize or maintain their mortgage payments, which can lead to falling behind and eventually facing foreclosure. High equity in a property, a consistent payment history, and no existing debts can typically serve as protective factors against foreclosure. High equity allows homeowners the option to sell their home if necessary to avoid foreclosure, while a consistent payment history demonstrates reliability to lenders if circumstances change. Similarly, having no existing debts means there is less financial strain, reducing the likelihood of missing mortgage payments.

4. Whose responsibility is it to complete the Seller's Residential Real Estate Sales Disclosure form in Indiana?

- A. The seller**
- B. The buyer**
- C. The real estate agent**
- D. The appraiser**

The responsibility to complete the Seller's Residential Real Estate Sales Disclosure form in Indiana lies with the seller. This form is designed to provide potential buyers with clear information about the condition of the property, disclosing any known defects or issues. The reason the seller is tasked with this duty is rooted in the principle of transparency in real estate transactions. The seller is the party most familiar with the property's history and condition, thus they are in the best position to provide accurate information regarding any repairs, improvements, or existing problems. This requirement establishes a clear line of accountability for the information provided to buyers, ensuring that they have all relevant details needed to make informed decisions. Real estate agents, buyers, and appraisers have different roles in the transaction, such as facilitating the sale or providing opinions on value, but the legal obligation to disclose property conditions falls squarely on the seller.

5. During closing, who is responsible for delivering the title commitment?

- A. The seller's attorney**
- B. The title company representative**
- C. The buyer's agent**
- D. The mortgage lender**

The title commitment is a crucial document in the real estate transaction process that outlines the terms under which a title insurance policy will be issued. This document is typically ordered by one of the parties to the transaction, often during the escrow process. The title company is responsible for reviewing the property records and ensuring that the title is clear of liens and claims. The role of the title company representative is to prepare the title commitment and deliver it to the relevant parties involved in the transaction. This is part of their duty to facilitate the closing process and assure all parties that the title is legitimate and transferable. By providing the title commitment during closing, the title company helps ensure that the buyer gains ownership of the property without any unforeseen encumbrances. The other parties mentioned—such as the seller's attorney, buyer's agent, and mortgage lender—have their own responsibilities during the closing process. However, they are not tasked with delivering the title commitment. Instead, they may rely on the title company's expertise to manage the title-related aspects of the transaction.

6. What type of insurance protects against title defects and ownership disputes?

- A. Liability Insurance**
- B. Title Insurance**
- C. Homeowners Insurance**
- D. Flood Insurance**

Title insurance is specifically designed to protect property owners and lenders from financial loss due to defects in a title to a property. This type of insurance covers issues that may arise, such as claims against the title, discrepancies in the title record, unpaid liens, or disputes over ownership rights. When a buyer purchases a property, title insurance provides peace of mind, ensuring that any unforeseen title issues that may surface after the purchase will be covered by the insurance policy. In contrast, liability insurance protects individuals from claims resulting from injuries or damage to others, homeowners insurance covers damages to personal property and liability for injuries occurring on the property, and flood insurance protects against water damage resulting from flooding. Each of these other types of insurance serves a different purpose and does not provide the same level of protection against title-related issues as title insurance does.

7. In a real estate transaction, whom may a licensee represent?

- A. Only the seller**
- B. Only the buyer**
- C. Client or customer**
- D. Real estate agencies**

In a real estate transaction, a licensee may represent either a client or a customer, which is why this answer is correct. A "client" is someone with whom a formal agency relationship exists, and the licensee has a fiduciary duty to act in the client's best interests. Conversely, a "customer" does not have such a formal relationship with the licensee; instead, the licensee can provide certain services but does not owe the same level of loyalty or duty to them as they do to a client. This distinction is crucial because it guides the level of care, confidentiality, and advocacy that the licensee must provide in the transaction. The other options are more restrictive in their scope. Representing only the seller or only the buyer does not encompass the complete range of possibilities in real estate transactions. Additionally, real estate agencies themselves are entities that the licensee may work for or operate within, but they do not represent parties in transactions in the same way that a licensee represents clients or customers.

8. What happens if a broker violates ethical standards in Indiana?

- A. They may be required to complete additional training**
- B. They can be fined but not lose their license**
- C. They may face disciplinary action from the Indiana Real Estate Commission**
- D. Only the client can take legal action**

When a broker violates ethical standards in Indiana, they may face disciplinary action from the Indiana Real Estate Commission. This reflects the serious nature of ethical violations in the real estate industry, where adherence to established standards is crucial for maintaining public trust and ensuring fair practices. The Indiana Real Estate Commission is responsible for regulating real estate practices within the state and has the authority to enforce compliance with ethical standards. If a broker is found to have engaged in unethical behavior, the Commission can impose various forms of disciplinary action, which may include fines, suspension, or revocation of the broker's license. This process is designed to protect consumers and uphold the integrity of the profession. Other choices may address potential repercussions such as training requirements or fines, but they do not encompass the full scope of actions the Commission can take against a broker, including the potential to suspend or revoke their license. Therefore, the ability of the Indiana Real Estate Commission to impose disciplinary actions is a key aspect of ensuring accountability within the profession.

9. What does a covenant signify between a lessor and lessee?

- A. A violation of lease terms
- B. A financial guarantee
- C. An agreement or promise made between the parties**
- D. A termination of the lease

A covenant represents an agreement or promise made between the lessor (the landlord) and the lessee (the tenant). In the context of a lease, covenants outline the rights and obligations of both parties regarding the use of the property. This could include promises related to the maintenance of the property, payment of rent, and other responsibilities that each party is expected to uphold throughout the duration of the lease.

Understanding covenants is crucial because they establish clear expectations and protections for both the lessor and lessee. For instance, a lessor might covenant to provide necessary repairs or maintain certain services, while a lessee might covenant to pay rent on time or use the property according to specific guidelines. This mutual agreement helps to avoid disputes and fosters a cooperative relationship. Additionally, while other options reflect concepts closely related to leases, they do not accurately define the significance of a covenant. For example, a violation of lease terms pertains to a failure to fulfill those covenants and does not embody the positive nature of an agreement. Similarly, a financial guarantee usually refers to a specific commitment regarding monetary obligations, which is different from the broader promises that covenants cover. Lastly, a termination of the lease refers to the end of the leasing agreement rather than the promises made

10. What is meant by "exclusive right to sell"?

- A. A listing that allows multiple brokers to market a property
- B. A contract giving one broker exclusive marketing rights**
- C. A method for property evaluation
- D. A type of property ownership

The term "exclusive right to sell" refers to a specific type of listing agreement in real estate that grants a single broker the exclusive authority to market and sell a property. This means that regardless of who actually sells the property—whether it's the broker or the property owner themselves—the broker is entitled to a commission when the property is sold. This arrangement provides the broker with a secured incentive to actively promote the property, knowing that their efforts will lead to compensation if a sale occurs. This agreement stands out because it creates a clear and definitive relationship between the property owner and the broker, ensuring that all marketing and sales strategies are coordinated under this exclusive arrangement. The nature of this contract encourages brokers to invest their resources into selling the property effectively, as they have the assurance of a commission if the sale is successful. The clarity and exclusivity help streamline the sales process for both the property owner and the broker.