

Kentucky 96-Hour Salesperson Pre-License State Practice Exam (Sample)

Study Guide



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SAMPLE

Questions

- 1. What does a pest inspection assess?**
 - A. Value of the property**
 - B. Signs of pest infestations and damage**
 - C. Quality of construction materials**
 - D. Legal compliance of the property**
- 2. How is a homeowners' association (HOA) typically defined?**
 - A. A body that manages property tax assessments**
 - B. An organization that creates and enforces community rules**
 - C. A group of landlords in a city**
 - D. An agency that handles property disputes**
- 3. Under what condition is a seller in Kentucky obligated to pay a commission to the listing agent under an exclusive agency agreement?**
 - A. If any agent secures the buyer**
 - B. If the seller decides to sell without assistance**
 - C. If the listing agent finds the buyer directly**
 - D. If the seller makes a profit from the sale**
- 4. What is the primary purpose of advertising in real estate?**
 - A. To inform the public about housing market trends**
 - B. To promote properties available for sale or rent**
 - C. To generate leads for mortgage brokers**
 - D. To attract potential investors to the market**
- 5. What can Carson do if Halie fails to pay him after their buyer's representation agreement?**
 - A. Carson can take legal action against Halie without any liens.**
 - B. Carson may acquire a lien against the buyer's property.**
 - C. Carson can only file a complaint with the KREC.**
 - D. Carson is obligated to forgo the commission.**

- 6. Which of the following factors can impact property value?**
- A. Distance from public transportation**
 - B. Personal connections to the previous owner**
 - C. The historical significance of the property**
 - D. Location and market demand**
- 7. What must be disclosed to buyers regarding a material defect?**
- A. Only if the buyer asks about it**
 - B. Nothing, if the seller is unaware**
 - C. All known defects that could influence property value**
 - D. Only major defects that would affect safety**
- 8. What is the main role of the Kentucky Board of Realtors?**
- A. To regulate real estate prices**
 - B. To provide support, resources, and advocacy for real estate professionals**
 - C. To conduct property inspections**
 - D. To manage real estate transactions**
- 9. Regarding electronic transaction management systems, which statement is true about brokerage policies?**
- A. All agents can access all information without restrictions**
 - B. Password-sharing is encouraged among agents**
 - C. System permissions are on a need-to-know basis and passwords are required**
 - D. Only the principal broker has full access to the system**
- 10. What does the acronym HUD stand for?**
- A. Housing Utilization Department**
 - B. House Underwriting Division**
 - C. U.S. Department of Housing and Urban Development**
 - D. Urban Development and Housing Department**

Answers

SAMPLE

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

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Explanations

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1. What does a pest inspection assess?

- A. Value of the property
- B. Signs of pest infestations and damage**
- C. Quality of construction materials
- D. Legal compliance of the property

A pest inspection primarily focuses on identifying signs of pest infestations and any resulting damage to the property. This includes assessing conditions conducive to pest growth, such as moisture issues or structural vulnerabilities that may attract pests. The inspector looks for evidence of common pests like termites, rodents, and other insects that can cause significant damage if left unchecked. While factors like property value, construction quality, and legal compliance may play a role in overall property assessments, they are not the core purpose of a pest inspection. This specialized inspection is designed specifically to detect pests and the issues they may cause, making it critical for ensuring the integrity and safety of a property. Understanding this focus helps homeowners, buyers, and real estate professionals recognize the importance of pest inspections in maintaining property value and safety.

2. How is a homeowners' association (HOA) typically defined?

- A. A body that manages property tax assessments
- B. An organization that creates and enforces community rules**
- C. A group of landlords in a city
- D. An agency that handles property disputes

A homeowners' association (HOA) is typically defined as an organization that creates and enforces community rules. This definition highlights the primary role of an HOA, which is to maintain the common areas of a community, regulate the use of properties within the community, and ensure that community standards are upheld to enhance property values and the quality of life for residents. HOAs often establish bylaws and rules, such as guidelines on property maintenance, landscaping, architectural modifications, and behavioral expectations. These rules are designed to foster a sense of community and ensure that all homeowners adhere to a consistent set of standards. In contrast, the other options do not accurately reflect the primary function or purpose of an HOA. For example, managing property tax assessments relates to governmental functions and is not a primary purpose of an HOA. While groups of landlords may exist within certain contexts, they do not define an HOA, which is residential and community-focused rather than being purely a landlord association. Similarly, while property disputes may arise within a community, an HOA does not primarily function as an agency handling such disputes. Instead, its focus remains on community governance and the enforcement of established rules and regulations.

3. Under what condition is a seller in Kentucky obligated to pay a commission to the listing agent under an exclusive agency agreement?

A. If any agent secures the buyer

B. If the seller decides to sell without assistance

C. If the listing agent finds the buyer directly

D. If the seller makes a profit from the sale

In an exclusive agency agreement, the seller retains the right to sell the property independently without being obligated to pay a commission to the listing agent, unless the listing agent is the one who procures the buyer. Therefore, if any agent, including the listing agent, secures the buyer, the seller is obligated to pay the commission. This ensures that the agent is compensated for their efforts in marketing the property and bringing potential buyers to the table, regardless of who ultimately completes the transaction. This arrangement aims to incentivize agents to actively seek out buyers even when the seller has the option to sell on their own.

4. What is the primary purpose of advertising in real estate?

A. To inform the public about housing market trends

B. To promote properties available for sale or rent

C. To generate leads for mortgage brokers

D. To attract potential investors to the market

The primary purpose of advertising in real estate is to promote properties available for sale or rent. This involves showcasing the features, benefits, and unique characteristics of properties in order to attract potential buyers or tenants. Effective advertising conveys essential information about the properties, such as location, price, size, and amenities, helping to create interest and facilitate viewings. While informing the public about housing market trends is important, it is generally a broader aspect of real estate marketing that supports advertising efforts rather than being the central focus. Generating leads for mortgage brokers and attracting potential investors, although relevant to the real estate industry, are more specific objectives that do not encompass the primary goal of directly showcasing and promoting properties to buyers or renters. In essence, advertising is primarily geared towards making potential buyers or renters aware of available properties and persuading them to take action.

5. What can Carson do if Halie fails to pay him after their buyer's representation agreement?
- A. Carson can take legal action against Halie without any liens.
 - B. Carson may acquire a lien against the buyer's property.**
 - C. Carson can only file a complaint with the KREC.
 - D. Carson is obligated to forgo the commission.

In a buyer's representation agreement, if Halie fails to pay Carson the agreed-upon commission, Carson may have the right to acquire a lien against the buyer's property. This is based on the principle that a lien can be placed on property to secure payment for services rendered, such as the commission for representing the buyer in a real estate transaction. Establishing a lien allows Carson to take legal steps to ensure he is compensated for his work if the buyer defaults on the payment. This serves as a protective measure for real estate professionals, ensuring they can recover their commission in the event of non-payment by their clients. The other options do not accurately describe the mechanisms available to Carson in this situation. Taking legal action without any liens does not address how to secure payment for his services effectively. Simply filing a complaint with the Kentucky Real Estate Commission (KREC) might not lead to a resolution regarding payment. Foregoing the commission would not be in Carson's best interest, as he is entitled to compensation for the services he provided under the terms of their agreement.

6. Which of the following factors can impact property value?
- A. Distance from public transportation
 - B. Personal connections to the previous owner
 - C. The historical significance of the property
 - D. Location and market demand**

The impact of location and market demand on property value is fundamental in real estate. Location plays a crucial role because it encompasses a variety of elements such as the neighborhood, proximity to amenities, school districts, and the overall desirability of the area. Properties situated in desirable locations typically command higher prices and maintain their value better than those in less favorable areas. Market demand relates to how much buyers are willing to pay for properties in a given area at a certain time. Factors such as economic conditions, interest rates, job growth, and demographic trends influence market demand. When demand is high and supply is low, property values tend to rise. Conversely, if there are more homes than buyers in the market, property values may decrease. While the other factors mentioned, such as distance from public transportation, personal connections to the previous owner, and the historical significance of the property, can indeed play a role in influencing property value, they are often secondary compared to the overarching influence of location and market demand. For example, being close to public transportation can enhance value, but this attribute is still considered within the broader context of location. Personal feelings towards a property or its historical significance may impact individual valuations but typically do not hold the same weight in the market as the combined forces

7. What must be disclosed to buyers regarding a material defect?

- A. Only if the buyer asks about it**
- B. Nothing, if the seller is unaware**
- C. All known defects that could influence property value**
- D. Only major defects that would affect safety**

The requirement to disclose all known defects that could influence property value stems from the ethical and legal obligations of real estate professionals. In Kentucky, as in many jurisdictions, sellers (and their agents) are required to provide full disclosure of any material defects in the property that could potentially impact a buyer's decision or the overall value of the property. This duty is integral to promoting transparency in real estate transactions and ensuring that buyers are fully informed before making a significant financial investment. Material defects include issues that affect the property's structure or function, such as problems with the roof, plumbing, electrical systems, or foundation. These defects can directly influence not just the desirability of the property, but also its market value. By ensuring that all known defects are disclosed, buyers have the necessary information to make informed decisions, while sellers and agents protect themselves from potential legal disputes arising from undisclosed issues. In contrast, the other options fail to address the comprehensive nature of disclosure required by law. For instance, disclosing material defects only upon inquiry undermines the proactive responsibility of the seller to inform potential buyers; simply being unaware of defects does not exempt a seller from disclosure duties; and limiting disclosure to only major defects related to safety neglects many other factors that could influence a buyer

8. What is the main role of the Kentucky Board of Realtors?

- A. To regulate real estate prices**
- B. To provide support, resources, and advocacy for real estate professionals**
- C. To conduct property inspections**
- D. To manage real estate transactions**

The main role of the Kentucky Board of Realtors is to provide support, resources, and advocacy for real estate professionals. This association serves as a crucial support system for its members, offering various educational programs, networking opportunities, and tools that help agents enhance their skills and grow their businesses. Advocacy is also a key part of their mission, as they represent the interests of real estate professionals and work to influence legislation and public policy that affects the industry. While regulating real estate prices might seem relevant, this is typically outside the purview of such organizations, which focus more on supporting their membership rather than controlling market forces. Conducting property inspections is primarily the responsibility of licensed home inspectors, not a real estate association. Managing real estate transactions can involve various parties, including brokers and agents, but the board itself does not directly handle transactions. The board's focus is on the professional development and representation of its members, which aligns with the choice regarding support, resources, and advocacy.

9. Regarding electronic transaction management systems, which statement is true about brokerage policies?

- A. All agents can access all information without restrictions**
- B. Password-sharing is encouraged among agents**
- C. System permissions are on a need-to-know basis and passwords are required**
- D. Only the principal broker has full access to the system**

The statement regarding electronic transaction management systems that is true about brokerage policies emphasizes the importance of security and confidentiality in managing sensitive information. System permissions being allocated on a need-to-know basis ensures that agents only have access to the information that is pertinent to their responsibilities and the transactions they are involved in. This approach protects client data and sensitive business information, reducing the risk of unauthorized access or data breaches. Additionally, requiring passwords for accessing the system adds another layer of security, ensuring that only authorized personnel can log into the system. This practice aligns with best practices in data protection and privacy, which are critical in the real estate industry where agents often handle sensitive client information. Maintaining controlled access helps in fostering a trustworthy environment and adhering to regulatory standards that govern the handling of private information. In contrast, unrestricted access or encouraging password sharing jeopardizes the integrity and security of the data, making it vulnerable to leaks or misuse. Hence, establishing a policy that safeguards access based on necessity and proper authentication is essential in maintaining a secure electronic transaction management system.

10. What does the acronym HUD stand for?

- A. Housing Utilization Department**
- B. House Underwriting Division**
- C. U.S. Department of Housing and Urban Development**
- D. Urban Development and Housing Department**

The acronym HUD stands for the U.S. Department of Housing and Urban Development. This department plays a critical role in the government's efforts to create strong, sustainable, inclusive communities and quality affordable homes for all. It was established in 1965 and is a key agency in addressing issues related to housing policy, urban development, and fair housing laws. Its various programs and initiatives are aimed at promoting affordable housing, preventing discrimination in housing, and ensuring that all Americans have access to safe and secure living environments. The other options provided do not accurately represent the official name of the agency or its scope of responsibilities, making them incorrect. HUD is widely recognized and referenced in discussions related to federal housing efforts and urban development initiatives. Understanding this can help individuals working in real estate grasp the significance of federal policies pertaining to housing and urban development.