

Louisiana Broker Practice Test (Sample)

Study Guide



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SAMPLE

Questions

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- 1. How is the Gross Living Area defined?**
 - A. Including only the first level**
 - B. Only the total area within the external walls**
 - C. Total area including any exterior living spaces**
 - D. Total area of finished, habitable space above grade**
- 2. What is the purpose of requiring written notification from lenders after credit denial?**
 - A. To inform borrowers of their credit score**
 - B. To meet legislative requirements**
 - C. To increase customer satisfaction**
 - D. To encourage reapplication**
- 3. Which of the following is a key benefit of using LinkedIn?**
 - A. Access to entertainment content**
 - B. Ability to connect with industry professionals**
 - C. Free travel deals**
 - D. Discounts on retail products**
- 4. What is the key advantage of a Subchapter S corporation over a regular corporation?**
 - A. It allows for double taxation**
 - B. Shareholders can avoid capital gains taxes**
 - C. There is no double taxation**
 - D. It allows for unlimited shareholders**
- 5. What penalty may a broker face for changing their business address without notifying the Commission?**
 - A. No penalty will occur**
 - B. A fine up to \$1000**
 - C. Could have their license suspended or revoked**
 - D. Only a warning will be issued**

- 6. Which characteristic is NOT true of implied agreements?**
- A. They result from the actions of the parties**
 - B. They require written confirmation**
 - C. They can be legally enforceable**
 - D. They may be difficult to prove**
- 7. Upon the revocation, suspension, or lapse of a broker's license, what is required of the broker regarding sales escrow checking accounts?**
- A. Close all accounts immediately**
 - B. Maintain until disbursement of deposits**
 - C. Transfer accounts to another broker**
 - D. Stop making new deposits**
- 8. Who is eligible to file a claim with the Recovery Fund if they suffered a monetary loss from a licensee's actions?**
- A. A person with no monetary loss**
 - B. A licensee involved in the transaction**
 - C. A brokerage firm**
 - D. A person who suffered monetary loss**
- 9. What is meant by "redhibition" in real estate transactions?**
- A. A warranty on property condition**
 - B. A legal right to rescind sales**
 - C. A financing term for property purchases**
 - D. A negotiation tactic in pricing**
- 10. When should the Agency Disclosure Information Pamphlet be provided?**
- A. Prior to closing**
 - B. At first substantial contact**
 - C. Only when requested**
 - D. Immediately after listing**

Answers

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

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Explanations

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1. How is the Gross Living Area defined?

- A. Including only the first level**
- B. Only the total area within the external walls**
- C. Total area including any exterior living spaces**
- D. Total area of finished, habitable space above grade**

The Gross Living Area (GLA) is defined as the total area of finished and habitable space that is above grade, which essentially means any living space that is located above ground level and is suitable for living purposes. This definition plays a crucial role in real estate, as it provides a standardized measure used to assess the value of properties. When evaluating residential properties, GLA does not include basements or garages, as these spaces are typically either below grade or not suitable for living purposes. The focus on finished areas emphasizes that only spaces that are completed, conditioned, and functional for daily living activities are counted. This definition ensures clarity and consistency in real estate assessments, helping both buyers and sellers understand and compare the livable space available in a property. In contrast, the other definitions fall short for different reasons. For instance, if the definition were limited to only the first level or confined solely to the area within external walls, it would miss important living spaces present at different levels. Similarly, including exterior living spaces, while useful in some contexts, does not align with the official standard for Gross Living Area, which focuses strictly on interior, above-grade spaces. Thus, by considering the total area of finished, habitable space above grade, the correct understanding

2. What is the purpose of requiring written notification from lenders after credit denial?

- A. To inform borrowers of their credit score**
- B. To meet legislative requirements**
- C. To increase customer satisfaction**
- D. To encourage reapplication**

The requirement for lenders to provide written notification following a credit denial serves to meet legislative requirements, particularly those set forth by laws such as the Equal Credit Opportunity Act (ECOA) and the Fair Credit Reporting Act (FCRA). These laws are designed to ensure transparency in lending practices and to protect consumers from discrimination. When a lender denies credit, providing written notification is a crucial step in maintaining accountability and compliance with these laws. This notification must include the reasons for denial or information on how the applicant can obtain those reasons. Ultimately, these regulations aim to promote fairness in credit decisions and empower consumers with the knowledge of their rights. While informing borrowers of their credit score, increasing customer satisfaction, and encouraging reapplication are potential secondary benefits, the primary purpose is firmly rooted in legal compliance. This helps ensure that consumers understand why they were denied and what steps they might take moving forward.

3. Which of the following is a key benefit of using LinkedIn?

- A. Access to entertainment content**
- B. Ability to connect with industry professionals**
- C. Free travel deals**
- D. Discounts on retail products**

The key benefit of using LinkedIn is the ability to connect with industry professionals. LinkedIn is specifically designed as a networking platform for professionals, enabling users to establish connections, engage with peers in their field, and form valuable relationships that can lead to career opportunities. By connecting with others in their industry, users can share insights, seek advice, and collaborate on projects, which enhances their professional development and expands their networks. Other options, such as access to entertainment content, free travel deals, or discounts on retail products, do not align with the primary purpose or advantages of using LinkedIn. The platform is focused on professional networking rather than providing entertainment or consumer discounts, making connecting with industry professionals the standout feature that attracts users to it.

4. What is the key advantage of a Subchapter S corporation over a regular corporation?

- A. It allows for double taxation**
- B. Shareholders can avoid capital gains taxes**
- C. There is no double taxation**
- D. It allows for unlimited shareholders**

A Subchapter S corporation, often referred to as an S corp, offers a significant advantage over a regular corporation, primarily in its taxation structure. The crucial benefit of an S corp is that it avoids double taxation, which is a common issue for standard C corporations. In a standard C corporation, income is taxed at the corporate level first, and then again at the individual level when dividends are distributed to shareholders. In contrast, an S corporation passes through income, deductions, and credits directly to its shareholders, meaning that the income is only taxed once at the individual level. This pass-through taxation can lead to substantial tax savings for shareholders, as they are not subject to the double layer of taxation imposed on a C corporation. The other options present misunderstandings about the nature of S corporations. For instance, instead of allowing for double taxation, the S corporation is specifically structured to eliminate this issue. While S corporations do provide certain tax advantages, like avoiding double taxation and potential tax benefits for shareholders, they do not allow shareholders to avoid all capital gains taxes, and they are subject to a limit on the number of shareholders. Therefore, the true key advantage of a Subchapter S corporation is the absence of double taxation, making it a more tax-efficient structure.

5. What penalty may a broker face for changing their business address without notifying the Commission?

- A. No penalty will occur**
- B. A fine up to \$1000**
- C. Could have their license suspended or revoked**
- D. Only a warning will be issued**

A broker changing their business address without notifying the Commission can face significant penalties, including the possibility of having their license suspended or revoked. This is important because maintaining accurate and up-to-date licensing information is crucial for regulatory compliance and consumer protection. Brokers are required to keep the Commission informed about their business status, including their address, to ensure that all communications and legal notifications are properly directed. If a broker fails to do so, it undermines the integrity of the licensing system intended to protect the public and maintain order within the real estate market. Therefore, the severity of the penalty reflects the critical nature of adhering to these legal obligations.

6. Which characteristic is NOT true of implied agreements?

- A. They result from the actions of the parties**
- B. They require written confirmation**
- C. They can be legally enforceable**
- D. They may be difficult to prove**

Implied agreements are formed not through explicit language but through the actions or conduct of the parties involved. This means that the parties may create an understanding or obligation based on their behavior rather than through formal written documents. The point that is true about implied agreements is that they do not require written confirmation; they can be inferred from the actions taken by the involved parties. This makes them inherently different from explicit agreements, which typically necessitate formal documentation to be enforceable. All other characteristics correctly align with the nature of implied agreements. They can indeed be legally enforceable, provided there is enough evidence that demonstrates the existence of the agreement. Additionally, because these agreements are based on actions rather than clear written terms, they may be more challenging to prove in a legal context, as demonstrating the intent and understanding of the parties can require substantial evidence.

7. Upon the revocation, suspension, or lapse of a broker's license, what is required of the broker regarding sales escrow checking accounts?

A. Close all accounts immediately

B. Maintain until disbursement of deposits

C. Transfer accounts to another broker

D. Stop making new deposits

When a broker's license is revoked, suspended, or lapses, it is essential to maintain the sales escrow checking accounts until all deposits have been disbursed appropriately. This requirement ensures that any funds held in these accounts, which are often client deposits for real estate transactions, are not mishandled during the transition period following the loss of the broker's license. Maintaining the account facilitates the proper and legal disbursement of funds, ensuring that clients receive their deposits back or that they are managed according to the contractual obligations agreed upon prior to the revocation, suspension, or lapse of the license. This approach protects both the clients' interests and the integrity of the brokerage process, reflecting adherence to ethical and professional standards in the industry. Other actions, such as closing accounts immediately or stopping new deposits, could create complications or legal issues regarding unreturned deposits, which could harm clients or create liability for the broker. Transferring accounts to another broker is not standard practice and may also create further complications, especially if there are unresolved transactions or obligations tied to the accounts.

8. Who is eligible to file a claim with the Recovery Fund if they suffered a monetary loss from a licensee's actions?

A. A person with no monetary loss

B. A licensee involved in the transaction

C. A brokerage firm

D. A person who suffered monetary loss

The Recovery Fund is designed to provide financial relief to individuals who have suffered a monetary loss due to the wrongful actions of a licensed real estate broker or salesperson. To be eligible to file a claim with the Recovery Fund, a claimant must have experienced an actual financial loss as a direct result of a licensed professional's misconduct, such as fraud, misrepresentation, or similar violations. Individuals who have not incurred any monetary loss cannot benefit from the Recovery Fund, as the purpose is to compensate those directly harmed by the actions of a real estate licensee. Similarly, brokerages or other licensees involved in a transaction are not able to file claims for the Recovery Fund, as it is intended solely for the protection of consumers. Thus, only a person who has experienced a financial loss due to the actions of a licensed individual qualifies to file a claim with the Recovery Fund.

9. What is meant by "redhibition" in real estate transactions?

- A. A warranty on property condition
- B. A legal right to rescind sales**
- C. A financing term for property purchases
- D. A negotiation tactic in pricing

"Redhibition" refers specifically to a legal right that allows a buyer to rescind or cancel a sale due to defects or hidden flaws in a property that were not disclosed by the seller. This principle is designed to protect buyers from purchasing property that is unfit for its intended use, where the seller is aware of the issues but fails to inform the buyer. In Louisiana, the concept of redhibition is rooted in civil law and is a fundamental aspect of real estate transactions. If a buyer discovers a defect that significantly affects the value or use of the property, they may invoke redhibition to seek a return of their purchase price or a reduction in price for the defects discovered. This legal recourse highlights the importance of transparency and disclosure in property transactions, ensuring that buyers are aware of any potential issues before finalizing a purchase. Understanding redhibition is essential for both buyers and sellers, as it impacts how sales agreements are structured and the liabilities that sellers may face.

10. When should the Agency Disclosure Information Pamphlet be provided?

- A. Prior to closing
- B. At first substantial contact**
- C. Only when requested
- D. Immediately after listing

The correct timing for providing the Agency Disclosure Information Pamphlet is at the first substantial contact. This crucial moment is defined as when a real estate agent first engages with a potential client in a way that extends beyond general conversation or casual inquiries about the property. By providing the pamphlet at this stage, agents ensure that clients are informed about the agency relationships and the duties owed to them from the outset. The purpose of this disclosure is to clarify the nature of the relationship between the agent and the client, whether representing the buyer, the seller, or acting in a dual capacity. This transparency is vital for establishing trust and allows clients to make informed decisions as they move forward in the real estate transaction process. Timeliness is crucial in this context as it aligns with the ethical and legal obligations of real estate professionals to inform clients about their rights, responsibilities, and any potential conflicts of interest from the very beginning of their dealings.