

# Metro Brokers Practice Test (Sample)

## Study Guide



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**SAMPLE**

## **Questions**

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- 1. What allows multiple owners to hold fee simple title in a condo?**
  - A. General Partnership Ownership**
  - B. Limited Liability Ownership**
  - C. Condominium Ownership**
  - D. Single Ownership**
- 2. What must be included in a good faith estimate of closing costs?**
  - A. Only applicable taxes**
  - B. Estimated costs without detail**
  - C. A breakdown of all potential fees and costs**
  - D. Only lender fees**
- 3. Will the transfer of a loan escrow account appear as a debit on the seller's closing statement?**
  - A. Yes**
  - B. No**
  - C. Only if it exceeds a certain amount**
  - D. Only if specified in the contract**
- 4. What typically characterizes a straight loan?**
  - A. Fixed monthly payments for the entire term**
  - B. Lower early payments that increase over time**
  - C. Higher total interest costs than amortized loans**
  - D. Government backing**
- 5. What indicates the cost of credit for banks?**
  - A. The federal interest rate**
  - B. The prime rate set by banks**
  - C. The discount rate set by the Federal Reserve**
  - D. The credit score of the applicant**

- 6. What is the primary purpose of a Reverse Annuity Mortgage (RAM)?**
- A. To aid first-time homebuyers**
  - B. To allow elderly individuals to access home equity**
  - C. To provide low-interest loans**
  - D. To create monthly payments for young families**
- 7. Can a private landowner disinherit their heirs?**
- A. No, legal heirs must always inherit**
  - B. Yes, a landowner can choose to disinherit**
  - C. Only with a court order**
  - D. Yes, but only under specific conditions**
- 8. What is the main concept of steering in real estate?**
- A. Marketing properties aggressively**
  - B. Controlling property prices**
  - C. Channeling buyers to homogeneous neighborhoods**
  - D. Promoting diverse neighborhoods**
- 9. According to the law of agency, what type of agency is a real estate listing contract?**
- A. General agency**
  - B. Special agency**
  - C. Universal agency**
  - D. Limited agency**
- 10. What is the purpose of a Lis Pendens?**
- A. To indicate a property is for sale**
  - B. To record a lien on a property**
  - C. To give notice of a pending lawsuit involving a property**
  - D. To finalize a real estate transaction**

## **Answers**

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

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## **Explanations**

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**1. What allows multiple owners to hold fee simple title in a condo?**

- A. General Partnership Ownership**
- B. Limited Liability Ownership**
- C. Condominium Ownership**
- D. Single Ownership**

The concept of condominium ownership allows multiple individuals to hold fee simple title to separate units within a single property. In this arrangement, each owner has a specific, defined portion of the property, often referred to as their "unit," which they own outright. This fee simple ownership means they have the right to occupy, use, and sell their unit without restriction from other owners. Additionally, condominium ownership typically includes shared ownership of common areas—such as hallways, pools, and gyms—managed collectively by the condo association. This structure establishes a clear legal framework where all owners have both individual property rights and shared responsibilities, making it distinct from other forms of ownership like general partnerships, limited liability, or single ownership, which do not facilitate multiple, distinct ownerships of individual units within the same property setting.

**2. What must be included in a good faith estimate of closing costs?**

- A. Only applicable taxes**
- B. Estimated costs without detail**
- C. A breakdown of all potential fees and costs**
- D. Only lender fees**

A good faith estimate of closing costs is designed to provide borrowers with a clear and detailed overview of the various fees and costs they can expect to encounter during the closing process of a real estate transaction. This transparency is crucial for helping buyers understand the financial implications of their mortgage and making informed decisions. Including a comprehensive breakdown of all potential fees and costs in the estimate ensures that borrowers are aware of not only lender fees but also other associated costs like title insurance, appraisal fees, and escrow fees. This detailed approach fosters trust in the lending process, as it helps consumers recognize what they will be paying and prevents any surprises at closing. In contrast, an estimate that only includes applicable taxes or only lender fees lacks the necessary detail to give a full picture of the total closing expenses. Similarly, an estimate that provides estimated costs without any detail would not fulfill the purpose of a good faith estimate, which is to inform and prepare the borrower for all financial liabilities associated with closing the transaction.

**3. Will the transfer of a loan escrow account appear as a debit on the seller's closing statement?**

**A. Yes**

**B. No**

**C. Only if it exceeds a certain amount**

**D. Only if specified in the contract**

The transfer of a loan escrow account typically does not appear as a debit on the seller's closing statement because escrows are usually maintained as part of the buyer's transaction processes. Instead, these accounts are often considered in the overall accounting for the buyer and seller but are not generally reflected as a charge to the seller. In the context of a closing statement, a debit indicates an amount that is owed or a cost associated with the seller, while credits denote amounts that the seller will receive. Since the loan escrow account serves to manage funds related to property taxes, homeowner's insurance, or mortgage insurance and is designed to protect the lender's interests, it is more common for associated costs to be accounted for within the buyer's statements rather than as a charge against the seller's account. Therefore, there is no direct provision for this item as a debit for the seller at closing. The reasoning behind this practice emphasizes that the seller's financial responsibilities in a sale primarily relate to the sale proceeds and any direct costs incurred due to the transaction, rather than on the management of the loan's escrow account.

**4. What typically characterizes a straight loan?**

**A. Fixed monthly payments for the entire term**

**B. Lower early payments that increase over time**

**C. Higher total interest costs than amortized loans**

**D. Government backing**

A straight loan, also known as an interest-only loan, typically involves a payment structure where the borrower pays only the interest on the loan for a specified period, resulting in a lower initial payment compared to amortized loans. This means that while the initial payments may be manageable, the total amount of interest paid over the life of the loan can be higher than in an amortized loan, where both principal and interest are paid down concurrently. Since straight loans do not reduce the principal balance during the interest-only period, borrowers face a higher total repayment amount when the principal is eventually due. This characteristic of having higher total interest costs compared to amortized loans solidifies the understanding of how payment structures affect long-term borrowing costs. Although straight loans may offer lower initial payments, the possibility of accumulating more interest expense makes option C significant in comprehending the implications of choosing this type of loan. Understanding these nuances helps borrowers make informed decisions about which loan structure may best fit their financial situation and long-term goals.

**5. What indicates the cost of credit for banks?**

- A. The federal interest rate
- B. The prime rate set by banks
- C. The discount rate set by the Federal Reserve**
- D. The credit score of the applicant

The correct choice relates to the concept of the discount rate set by the Federal Reserve, which is the rate at which banks can borrow money from the Federal Reserve. This rate plays a crucial role in determining the cost of credit in the banking system. When the Federal Reserve adjusts the discount rate, it affects the overall interest rates in the economy, including those charged by banks to consumers and businesses for loans. A lower discount rate typically leads to lower borrowing costs for banks, which can then pass on these savings to borrowers. Conversely, if the discount rate is increased, borrowing becomes more expensive for banks, which can lead to higher interest rates for consumers. Understanding this relationship is essential, as it illustrates how monetary policy influences the availability and cost of credit throughout the financial system. Other rates, such as the federal interest rate and the prime rate set by banks, are also significant. However, they are influenced by the discount rate, making the discount rate a foundational aspect of credit cost determination. The credit score of the applicant, while important for assessing individual creditworthiness, does not directly indicate the broader cost of credit imposed by economic conditions or regulatory decisions.

**6. What is the primary purpose of a Reverse Annuity Mortgage (RAM)?**

- A. To aid first-time homebuyers
- B. To allow elderly individuals to access home equity**
- C. To provide low-interest loans
- D. To create monthly payments for young families

The primary purpose of a Reverse Annuity Mortgage (RAM) is to allow elderly individuals to access home equity. This financial product is specifically designed for homeowners aged 62 or older, enabling them to convert part of their home equity into cash without having to sell their house or make monthly mortgage payments. Instead, the lender makes payments to the homeowner based on the equity accumulated in their property. This can provide financial relief for various needs such as medical expenses, living costs, or even funding retirement activities. In contrast, while aiding first-time homebuyers or providing low-interest loans may be beneficial in other contexts, these do not align with the focus of a RAM. The concept of creating monthly payments for young families also diverges from the intent behind RAM since it specifically deals with converting home equity for individuals in their retirement years rather than establishing new mortgages for younger families. Thus, option B accurately captures the essence of what a Reverse Annuity Mortgage is designed to achieve.

**7. Can a private landowner disinherit their heirs?**

- A. No, legal heirs must always inherit**
- B. Yes, a landowner can choose to disinherit**
- C. Only with a court order**
- D. Yes, but only under specific conditions**

A private landowner has the legal right to disinherit their heirs, which makes the selected answer accurate. This right is fundamental in property and estate law, as individuals have the autonomy to decide how their assets will be distributed upon their death. Disinheritance can be carried out through a will or trust, where the landowner explicitly states their wishes regarding the distribution of their estate. There are no legal requirements that compel a landowner to leave their property to their heirs; thus, they can choose to allocate their assets to other individuals or organizations. This flexibility in managing one's estate underscores the principle of ownership and personal autonomy. In some jurisdictions, while disinheriting heirs is permissible, there may be specific legal requirements or formalities that need to be adhered to in order to ensure that the disinheritance is valid, but this does not negate the fundamental right to disinherit. Therefore, the option highlighting the ability of a landowner to disinherit their heirs is correct.

**8. What is the main concept of steering in real estate?**

- A. Marketing properties aggressively**
- B. Controlling property prices**
- C. Channeling buyers to homogeneous neighborhoods**
- D. Promoting diverse neighborhoods**

Steering in real estate refers to the unethical practice of channeling buyers toward or away from certain neighborhoods based on characteristics such as race, ethnicity, or socioeconomic status. The primary concern with steering is that it perpetuates segregation and discrimination within communities, limiting individuals' choices based on their identities. By directing individuals to homogeneous neighborhoods, this practice undermines the principle of fair housing and violates various housing laws designed to ensure equal opportunity. In this context, the act of steering impacts the diversity of neighborhoods and reinforces existing social and economic divides. In contrast, options regarding aggressive marketing, controlling property prices, or promoting diverse neighborhoods do not capture this discriminatory practice. They focus more on market dynamics and community attributes rather than the unethical behavior associated with steering.

**9. According to the law of agency, what type of agency is a real estate listing contract?**

- A. General agency**
- B. Special agency**
- C. Universal agency**
- D. Limited agency**

A real estate listing contract is classified as a special agency. This type of agency is characterized by the agent being authorized to perform a specific task or transaction on behalf of the principal, but with limited authority. In the context of a real estate listing, the agent is empowered to represent the seller in the sale of a specific property, which is a defined and singular scope of responsibility. Special agencies are crucial in real estate transactions because they clearly delineate the roles and responsibilities of the agent, ensuring that the agent acts only in the best interest of the principal, within the confines of the specific task at hand. This contrasts with general agency, where the agent would have broader authority to act on behalf of the principal in various matters; universal agency, where the agent has comprehensive authority to act in all matters; and limited agency, which typically refers to a scenario where the agent's capacity is restricted for specific reasons. Thus, understanding that a listing contract enables the agent to carry out a focused function—facilitating the sale of a property—is key to recognizing it as a special agency relationship.

**10. What is the purpose of a Lis Pendens?**

- A. To indicate a property is for sale**
- B. To record a lien on a property**
- C. To give notice of a pending lawsuit involving a property**
- D. To finalize a real estate transaction**

A Lis Pendens serves a crucial function in the realm of real estate by providing public notice that there is a pending lawsuit involving a property. This legal notice alerts potential buyers or investors that the property in question may be subject to legal action, which could affect ownership rights or the disposition of the property. The filing of a Lis Pendens is important because it ensures that anyone considering a transaction involving the property is aware of the ongoing legal proceedings that could impact the property's title and interests. When a Lis Pendens is recorded, it effectively warns parties that they may be buying a property with unresolved legal disputes. This serves to protect the interests of the party bringing the lawsuit and ultimately helps in resolving disputes concerning ownership, liens, or encumbrances on the property. Understanding the role of a Lis Pendens is essential for real estate professionals as it affects how properties can be sold or encumbered during legal matters.