

# Michigan Real Estate Salesperson Licensing - 3 hour PSI Practice Exam (Sample)

## Study Guide



**Everything you need from our exam experts!**

**This is a sample study guide. To access the full version with hundreds of questions,**

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# Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

# How to Use This Guide

**This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:**

## 1. Start with a Diagnostic Review

**Skim through the questions to get a sense of what you know and what you need to focus on. Don't worry about getting everything right, your goal is to identify knowledge gaps early.**

## 2. Study in Short, Focused Sessions

**Break your study time into manageable blocks (e.g. 30 - 45 minutes). Review a handful of questions, reflect on the explanations, and take breaks to retain information better.**

## 3. Learn from the Explanations

**After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.**

## 4. Track Your Progress

**Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.**

## 5. Simulate the Real Exam

**Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.**

## 6. Repeat and Review

**Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning.**

## 7. Use Other Tools

**Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.**

**There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly — adapt the tips above to fit your pace and learning style. You've got this!**

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## **Questions**

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- 1. The Real Estate Settlement Procedures Act (RESPA) is primarily concerned with which aspect of real estate transactions?**
  - A. Property tax assessments**
  - B. Disclosure of closing information and kickbacks**
  - C. Homeowner's insurance regulations**
  - D. Mortgage lending practices**
- 2. What is required for a salesperson to operate independently in Michigan?**
  - A. They may work solo without any brokerage supervision**
  - B. They must work under the supervision of a licensed broker**
  - C. They need to have additional certifications**
  - D. They must be a homeowner**
- 3. What clause allows a lender to call the entire mortgage balance due upon sale of a property?**
  - A. Due-on-sale clause**
  - B. Loan-to-value ratio clause**
  - C. Prepayment penalty clause**
  - D. Equity clause**
- 4. Which of the following is an example of discriminatory lending practices?**
  - A. Accepting high-risk borrowers**
  - B. Redlining based on geographic area**
  - C. Assisting all applicants uniformly**
  - D. Offering a variety of loan products**
- 5. What does the term "closing" refer to in real estate transactions?**
  - A. The initial offer made on a property**
  - B. The process of signing a lease**
  - C. The finalization of a real estate deal where ownership is officially transferred**
  - D. The negotiation period before a sale**

**6. Which of the following is NOT typically included in the finance charge under Truth-in-Lending provisions?**

- A. Loan origination fees.**
- B. Discount points.**
- C. Attorney's fees.**
- D. Mortgage insurance premiums.**

**7. If a broker believes a property is worth more than the owner's listed price, what must the broker do?**

- A. Keep their opinion to themselves**
- B. Offer to buy the property themselves**
- C. Inform the seller that the property is worth more**
- D. Lower their commission**

**8. How is "foreclosure" defined in real estate terms?**

- A. The process of selling a property at auction**
- B. The legal process by which a lender repossesses property due to mortgage default**
- C. The transfer of ownership from one buyer to another**
- D. The assessment of property value by a third party**

**9. What should a landlord avoid when applying tenant selection criteria?**

- A. Reviewing the applicant's income**
- B. Consideration of the applicant's credit history**
- C. Refusing to rent based on personal biases or social habits**
- D. Checking references from previous landlords**

**10. If a buyer places a deposit subject to zoning change but does not exercise the option in 90 days, what happens to his option?**

- A. It automatically extends for another 90 days**
- B. It remains valid until the property is sold**
- C. He loses his option unless exercised**
- D. He can sell his option to another buyer**

## **Answers**

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

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## **Explanations**

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**1. The Real Estate Settlement Procedures Act (RESPA) is primarily concerned with which aspect of real estate transactions?**

- A. Property tax assessments**
- B. Disclosure of closing information and kickbacks**
- C. Homeowner's insurance regulations**
- D. Mortgage lending practices**

The Real Estate Settlement Procedures Act (RESPA) is primarily focused on ensuring transparency and regulating the practices involved in real estate settlements, particularly around the disclosure of closing information and the prevention of illegal kickbacks. RESPA requires lenders, mortgage brokers, and settlement agents to provide borrowers with clear and comprehensive information about the costs associated with a mortgage transaction, including estimates of settlement costs and the actual costs that will be charged at closing. One of the key components of RESPA is its prohibition against kickbacks and referral fees that could increase the cost of settlement services. By mandating disclosure of these costs and prohibiting unethical financial arrangements, RESPA helps protect consumers from unnecessary expenses and fosters a more competitive market. The other choices focus on aspects that, while important in real estate, do not align with RESPA's primary goals. Property tax assessments relate to valuation for tax purposes, homeowner's insurance regulations concern policies covering property against various risks, and mortgage lending practices encompass the overall processes of obtaining a mortgage but do not specifically address the settlement and closing aspects that RESPA regulates. Thus, the correct choice is the one that reflects RESPA's core function of ensuring transparency and fairness during the closing process.

**2. What is required for a salesperson to operate independently in Michigan?**

- A. They may work solo without any brokerage supervision**
- B. They must work under the supervision of a licensed broker**
- C. They need to have additional certifications**
- D. They must be a homeowner**

In Michigan, a salesperson is required to work under the supervision of a licensed broker. This is a fundamental aspect of real estate practice in the state, ensuring that all sales activities are conducted according to legal and ethical standards. The supervision by a broker provides essential guidance, resources, and support, helping to maintain professional accountability and uphold the integrity of the real estate profession. Independent operation without a broker's oversight is not permitted, as it could lead to violations of state laws designed to protect both the clients and the public. Moreover, the broker is responsible for the actions of their salespeople, which means that the broker helps ensure that transactions are processed correctly and that all necessary disclosures are made. While additional certifications could enhance a salesperson's qualifications, they do not substitute for the requirement of working under a broker. Homeownership is irrelevant to licensing and operational requirements in this context. Thus, the necessity of broker supervision is a key cornerstone of professional practice in Michigan real estate.

**3. What clause allows a lender to call the entire mortgage balance due upon sale of a property?**

- A. Due-on-sale clause**
- B. Loan-to-value ratio clause**
- C. Prepayment penalty clause**
- D. Equity clause**

The due-on-sale clause empowers a lender to demand full payment of the remaining balance on a mortgage when the property is sold. This clause serves to protect the lender's investment by ensuring that the property and its financing terms do not change without their consent. When a property with this clause is sold, the lender has the right to accelerate the loan, essentially requiring the borrower to pay off the mortgage immediately rather than allowing the new owner to assume the mortgage under the original terms. The rationale for including a due-on-sale clause in a mortgage agreement comes from a lender's desire to maintain control over the terms of the loan and to evaluate the creditworthiness of any new buyers. If the property is sold, the lender may want to assess the new buyer's ability to take on the existing mortgage or adjust terms to reflect current market conditions. Other clauses, such as the loan-to-value ratio clause, relate to the amount of debt as compared to the property value, while a prepayment penalty clause pertains to fees charged for paying off a loan early. An equity clause generally relates to the borrower's rights concerning the equity in the property but does not provide the same protective measures regarding loan payoff upon transfer of ownership.

**4. Which of the following is an example of discriminatory lending practices?**

- A. Accepting high-risk borrowers**
- B. Redlining based on geographic area**
- C. Assisting all applicants uniformly**
- D. Offering a variety of loan products**

Discriminatory lending practices refer to actions by lenders that unfairly limit or deny access to loans based on specific characteristics of borrowers, such as race, gender, or geographic area, rather than their creditworthiness or financial stability. Redlining is a specific form of discriminatory lending where lenders refuse to offer loans or insurance to individuals in certain geographical areas, often based on the racial or ethnic composition of those areas. This practice not only denies individuals the opportunity to purchase homes or secure financing but reinforces systemic inequalities within communities. In contrast, accepting high-risk borrowers, assisting all applicants uniformly, and offering a variety of loan products do not constitute discriminatory practices. These actions reflect inclusive lending policies aimed at providing equal access to financial services for all applicants, regardless of their background or location. Therefore, recognizing redlining as discriminatory lending highlights the importance of fair lending standards to prevent discrimination in the financial services industry.

**5. What does the term "closing" refer to in real estate transactions?**

- A. The initial offer made on a property**
- B. The process of signing a lease**
- C. The finalization of a real estate deal where ownership is officially transferred**
- D. The negotiation period before a sale**

In real estate transactions, "closing" refers to the finalization of a deal where ownership of the property is officially transferred from the seller to the buyer. This process involves the signing of all necessary documents, such as the sales contract, mortgage agreements, and title transfer documents, and typically concludes with the buyer paying the purchase price and receiving the keys to the property. Closing is a critical step that ensures all conditions of the sale are met, funds are exchanged, and the buyer obtains a legal title to the property. The initial offer made on a property does not constitute a closing; rather, it is a preliminary step in the buying process. Signing a lease pertains to rental agreements, which is distinct from the buying and selling of properties. The negotiation period is also an earlier phase that precedes closing, as it deals with the terms and conditions of the sale before they are formally agreed upon. Thus, the correct understanding of closing is essential for anyone involved in real estate transactions, as it marks the culmination of the purchasing process and the transition of property ownership.

**6. Which of the following is NOT typically included in the finance charge under Truth-in-Lending provisions?**

- A. Loan origination fees.**
- B. Discount points.**
- C. Attorney's fees.**
- D. Mortgage insurance premiums.**

The finance charge under the Truth-in-Lending Act (TILA) is defined as the cost of credit expressed as a dollar amount. It includes fees that are associated with obtaining a loan. Typically, this encompasses costs such as loan origination fees and discount points, which are paid to lower the interest rate on a mortgage. However, attorney's fees are generally not included in the finance charge calculation. This is because TILA focuses on the costs associated directly with the loan itself. While attorney's fees can be related to closing a transaction, they do not directly pertain to the terms of the loan or the cost of borrowing money. Unlike origination fees, which are specifically linked to the loan process, or mortgage insurance premiums, which protect the lender in case of default, attorney's fees are considered more of a transactional cost rather than a cost of borrowing. Thus, they are excluded from the finance charge under TILA provisions. By distinguishing between what constitutes a finance charge and what does not, the regulation aims to provide borrowers with a clear understanding of their loan costs.

**7. If a broker believes a property is worth more than the owner's listed price, what must the broker do?**

- A. Keep their opinion to themselves**
- B. Offer to buy the property themselves**
- C. Inform the seller that the property is worth more**
- D. Lower their commission**

When a broker believes that a property is undervalued and worth more than the owner's listed price, the appropriate course of action is to inform the seller of their opinion regarding the property's market value. This is important for several reasons. Firstly, real estate professionals have a fiduciary duty to act in the best interests of their clients. By communicating their assessment of the property's value, the broker ensures that the seller has the necessary information to make an informed decision regarding pricing. This can help the seller potentially achieve a better outcome and maximize their profit when selling the property. Additionally, discussing the property's true value allows for an open dialogue between the broker and the seller, fostering a collaborative approach to marketing the property effectively. This can lead to adjusting the listing price to reflect fair market value based on current market conditions and comparable properties. Overall, keeping the seller informed aligns with professional standards of practice and helps maintain trust and transparency in the broker-client relationship.

**8. How is "foreclosure" defined in real estate terms?**

- A. The process of selling a property at auction**
- B. The legal process by which a lender repossesses property due to mortgage default**
- C. The transfer of ownership from one buyer to another**
- D. The assessment of property value by a third party**

In real estate, foreclosure is specifically defined as the legal process by which a lender repossesses property due to the borrower's failure to make mortgage payments. When a homeowner defaults on their mortgage obligations, the lender initiates foreclosure proceedings to reclaim the property. This process typically involves filing a lawsuit and can result in the property being sold at auction to recover the outstanding loan balance. The emphasis on "legal process" is crucial since foreclosure involves court actions and adherence to specific laws designed to protect both the lender's and the borrower's rights. It is not merely a sale at auction but rather a structured, legally governed series of steps aimed at resolving the default situation. Understanding this definition is vital for real estate professionals, as it influences many aspects of property transactions and the market dynamics surrounding distressed properties.

**9. What should a landlord avoid when applying tenant selection criteria?**

- A. Reviewing the applicant's income**
- B. Consideration of the applicant's credit history**
- C. Refusing to rent based on personal biases or social habits**
- D. Checking references from previous landlords**

When applying tenant selection criteria, it is vital for a landlord to maintain a fair and unbiased approach throughout the process. This is where the correct choice comes into play, as landlords should actively avoid refusing to rent based on personal biases or social habits. Such actions can lead to discriminatory practices, which violate fair housing laws. By making decisions rooted in personal biases, a landlord could unintentionally discriminate against individuals based on race, religion, gender, family status, or other protected categories. In contrast, reviewing an applicant's income, considering their credit history, and checking references from previous landlords are standard practices in tenant screening. These criteria help landlords determine whether applicants can afford the rent, manage their financial responsibilities, and have a history of being responsible tenants. By focusing on objective criteria rather than personal opinions or social preferences, landlords contribute to a fair housing environment and ensure compliance with relevant laws.

**10. If a buyer places a deposit subject to zoning change but does not exercise the option in 90 days, what happens to his option?**

- A. It automatically extends for another 90 days**
- B. It remains valid until the property is sold**
- C. He loses his option unless exercised**
- D. He can sell his option to another buyer**

The correct answer is that the buyer loses his option unless it is exercised. In real estate agreements involving an option to purchase or deposit subject to conditions such as zoning changes, the buyer typically has a specific time frame to exercise that option. When the buyer does not take action within the allotted 90 days, the option expires, and the buyer loses the right to purchase the property under those terms. This reflects the nature of options in real estate transactions, where timely action is crucial to retain rights. If the buyer fails to meet the conditions or exercise the option within the specified time, they forfeit that opportunity. Other options that imply an extension or the ability to sell the option do not align with standard practices in real estate regarding the expiration of options tied to specific conditions.

# Next Steps

**Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.**

**As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.**

**If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at [hello@examzify.com](mailto:hello@examzify.com).**

**Or visit your dedicated course page for more study tools and resources:**

**<https://mirealestatesales3hrpsi.examzify.com>**

**We wish you the very best on your exam journey. You've got this!**

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