

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

## Study Guide



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

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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. 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.**

## **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. 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!**

## Questions

- 1. Which type of tenancy includes the right of survivorship?**
  - A. Tenancy in common**
  - B. Tenancy by the entirety**
  - C. Joint tenants**
  - D. Leasehold**
- 2. When developing a condominium, what is a necessary document to provide purchasers?**
  - A. Condominium plans and maps**
  - B. Condominium buyer's handbook**
  - C. Property tax assessments**
  - D. Insurance policy details**
- 3. Which of the following is not true regarding a broker's advertising practices?**
  - A. A broker can advertise properties for sale as a private party**
  - B. Brokers must disclose all their licenses**
  - C. All advertising must be truthful and not misleading**
  - D. Brokers can represent multiple clients without consent**
- 4. Which of the following individuals is exempt from obtaining a real estate license to sell real estate?**
  - A. A licensed builder**
  - B. A real estate investor**
  - C. A property manager**
  - D. A mortgage broker**
- 5. Which of the following is NOT a characteristic of legal title to property?**
  - A. Right to possess**
  - B. Right to transfer**
  - C. Right to inspect**
  - D. Right to encumber**

- 6. What action can a borrower take if they experience loan default?**
- A. Declare bankruptcy.**
  - B. Refinance immediately.**
  - C. Seek a forbearance agreement.**
  - D. Sell the property without lender approval.**
- 7. What is a seller required to disclose in the property disclosure statement?**
- A. Only cosmetic issues**
  - B. All known material defects**
  - C. Future neighborhood developments**
  - D. Possible offers on the property**
- 8. Who must possess a license to perform real estate services and receive compensation?**
- A. Anyone working in the office**
  - B. Brokers that work independently**
  - C. Persons negotiating for the sale of a business opportunity**
  - D. Only those selling residential properties**
- 9. What is a "subordination clause" in a secured real estate loan?**
- A. A clause that allows a lien holder to step back in priority**
  - B. A clause that permits subsequent lien(s) to step ahead in priority**
  - C. A clause that secures a loan by the property itself**
  - D. A clause that cancels prior loans on the property**
- 10. In which scenario is a "lease-option" agreement typically utilized?**
- A. When a seller wants to retain ownership indefinitely**
  - B. When a tenant has an option to purchase the property at a later date**
  - C. When the property is undergoing major renovations**
  - D. When a buyer prefers to rent without a purchase option**



## **Answers**

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

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## **Explanations**

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## 1. Which type of tenancy includes the right of survivorship?

- A. Tenancy in common
- B. Tenancy by the entirety
- C. Joint tenants**
- D. Leasehold

In real estate, the type of tenancy that includes the right of survivorship is joint tenancy. This means that when one tenant in a joint tenancy passes away, their interest in the property automatically transfers to the surviving tenant(s) rather than going through probate. This legal arrangement allows for a seamless transfer of ownership without the complications involved in estate proceedings. Joint tenancy is characterized by four key unities: time, title, interest, and possession. All joint tenants must acquire their title at the same time, through the same document, and have equal shares in the property. This form of ownership is particularly appealing for married couples or partners who wish to ensure that their spouse inherits their share automatically upon their death. In contrast, tenancy in common does not provide the right of survivorship; when a tenant in common dies, their interest is passed on to their heirs. Tenancy by the entirety is similar to joint tenancy but is specifically for married couples and also includes right of survivorship. However, it typically does not allow for an automatic transfer unless both spouses agree to it. Leasehold, on the other hand, refers to a temporary right to hold or use property, typically through a rental agreement, and does not involve ownership in the way that the other ten

## 2. When developing a condominium, what is a necessary document to provide purchasers?

- A. Condominium plans and maps
- B. Condominium buyer's handbook**
- C. Property tax assessments
- D. Insurance policy details

In the context of developing a condominium, it is essential to provide purchasers with a condominium buyer's handbook. This document serves as a comprehensive guide that outlines vital information about the condominium project, including the rules and regulations that will govern the community, the rights and obligations of unit owners, and important details about the governance of the condominium association. Providing this handbook ensures that potential buyers are well-informed about what living in the condominium entails, helping them make an educated decision before finalizing their purchase. It typically includes information such as the operating budget, maintenance responsibilities, and details about community amenities, which are crucial for potential buyers to understand. While other documents like condominium plans and maps are necessary for understanding the physical layout and legal boundaries of the property, and property tax assessments and insurance policy details are important considerations in the overall purchase and upkeep, the buyer's handbook explicitly targets the needs of the purchaser by providing insight into the community's regulations and owner responsibilities. Thus, it stands out as the most necessary and relevant document for purchasers in the condominium development process.

**3. Which of the following is not true regarding a broker's advertising practices?**

- A. A broker can advertise properties for sale as a private party**
- B. Brokers must disclose all their licenses**
- C. All advertising must be truthful and not misleading**
- D. Brokers can represent multiple clients without consent**

The correct answer indicates that brokers cannot represent multiple clients without consent. In real estate practice, brokers have a fiduciary duty to their clients, which includes the necessity of disclosing relationships and obtaining consent when representing multiple clients in situations where conflicts of interest may arise. This requirement is in place to ensure transparency and to protect the clients' interests. Advertising practices are heavily regulated to maintain professional standards and ethical conduct in real estate transactions. The options regarding advertising being truthful and not misleading, brokers having to disclose all their licenses, and the ability to advertise properties as a private party are aligned with industry regulations that promote honesty and accountability. Therefore, the assertion that brokers can represent multiple clients without consent clearly stands out as inaccurate, reinforcing the importance of ethical practices in real estate.

**4. Which of the following individuals is exempt from obtaining a real estate license to sell real estate?**

- A. A licensed builder**
- B. A real estate investor**
- C. A property manager**
- D. A mortgage broker**

In Michigan, licensed builders are generally exempt from needing a real estate license when they are selling properties that they have constructed or are building. This exemption is in place because builders are often involved in the selling of their own properties as part of their business model, allowing them to deal directly with buyers without needing a separate real estate salesperson license. The rationale for this exemption stems from the understanding that licensed builders already possess knowledge of the construction, features, and values of the properties they sell, making them equipped to handle transactions in a competent manner without requiring additional licensing that is typically geared toward real estate sales practices. In contrast, real estate investors, property managers, and mortgage brokers are typically not exempt from licensing requirements as their roles involve facilitating transactions, managing properties on behalf of others, or providing financing services, which would necessitate specific training and adherence to the regulations set forth for real estate professionals. Thus, they are required to obtain the appropriate licenses to operate in their respective fields.

**5. Which of the following is NOT a characteristic of legal title to property?**

- A. Right to possess**
- B. Right to transfer**
- C. Right to inspect**
- D. Right to encumber**

The characteristic that is not associated with legal title to property is the right to inspect. Legal title primarily encompasses the rights that the owner holds over the property, including the right to possess, transfer, and encumber the property. The right to possess means that the legal titleholder has the legal authority to occupy and control the property. The right to transfer allows the owner to convey or sell the property to another party, enhancing the property's marketability. The right to encumber refers to the owner's ability to place liens or mortgages on the property, which can be used as collateral for debts. On the other hand, the right to inspect pertains more to the act of evaluating or examining the condition of the property and is not a legal right associated inherently with ownership. While property owners may certainly have interests in inspecting their property, this right does not define their legal title.

**6. What action can a borrower take if they experience loan default?**

- A. Declare bankruptcy.**
- B. Refinance immediately.**
- C. Seek a forbearance agreement.**
- D. Sell the property without lender approval.**

When a borrower experiences a loan default, seeking a forbearance agreement is a practical and often effective action. A forbearance agreement allows the borrower to temporarily reduce or suspend their mortgage payments for a specified period, providing financial relief and the opportunity to get back on stable ground. This arrangement is beneficial because it allows the borrower to avoid foreclosure while they address the financial issues that led to the default. In contrast, declaring bankruptcy can have severe long-term consequences on a borrower's credit and may not be the best first step to resolve a default. Refinancing immediately might not be feasible if the borrower is already in a state of default, as lenders typically require that borrowers be in good standing to qualify for refinancing. Selling the property without lender approval is not permissible if there is still an outstanding mortgage; the lender must be notified and often must approve the sale. Therefore, seeking a forbearance agreement provides the borrower with structured support and can be a proactive approach to managing their financial difficulties.

**7. What is a seller required to disclose in the property disclosure statement?**

- A. Only cosmetic issues**
- B. All known material defects**
- C. Future neighborhood developments**
- D. Possible offers on the property**

A seller is required to disclose all known material defects in the property disclosure statement because this practice is fundamental in real estate transactions to ensure transparency and protect both parties involved. A material defect refers to any issue that significantly affects the value, desirability, or intended use of the property. By disclosing these defects, the seller provides potential buyers with essential information that could influence their decision to purchase. This requirement is rooted in the ethical obligation to avoid misleading buyers about the property's condition. Cosmetic issues, while they may affect a buyer's impression of the property, do not typically fall under the category of material defects that must be disclosed. Future neighborhood developments may be of interest, but sellers do not have a responsibility to disclose speculative or potential future changes that they are aware of unless they are already confirmed and will affect the property's use or value. Regarding possible offers on the property, sellers do not need to disclose this information, as it relates more to the seller's negotiating strategy and current market conditions rather than the property's inherent condition.

**8. Who must possess a license to perform real estate services and receive compensation?**

- A. Anyone working in the office**
- B. Brokers that work independently**
- C. Persons negotiating for the sale of a business opportunity**
- D. Only those selling residential properties**

To understand why possessing a license is essential for persons negotiating for the sale of a business opportunity, it's important to recognize the regulations governing real estate transactions. In Michigan and many other jurisdictions, engaging in the business of real estate—whether it's residential, commercial, or business opportunities—typically requires a valid real estate license. This ensures that individuals conducting these transactions are knowledgeable about the laws, ethical considerations, and market conditions affecting real estate. When negotiating for the sale of a business opportunity, the transaction falls under the umbrella of real estate services as it often involves the transfer of commercial property and may relate directly to the sale of the business's assets, which includes property. This necessitates licensed expertise to protect both the buyer and the seller and to ensure compliance with relevant laws. On the other hand, those working in an office might not directly participate in negotiations or transactions, which is why a license may not be required for every position in an office. Similarly, brokers working independently must have licenses, but this option is more specific to their role rather than encompassing those involved in negotiating business opportunities. Lastly, restricting licensing requirements only to those selling residential properties overlooks the broader range of real estate services that also require licensure, including business opportunities.

**9. What is a "subordination clause" in a secured real estate loan?**

- A. A clause that allows a lien holder to step back in priority**
- B. A clause that permits subsequent lien(s) to step ahead in priority**
- C. A clause that secures a loan by the property itself**
- D. A clause that cancels prior loans on the property**

A subordination clause is a specific provision in a secured real estate loan that allows subsequent liens to take precedence over the existing first lien. This means that if a new lender provides funding and attaches a new lien to the property, the existing lienholder agrees to subordinate their claim, thereby allowing the new lien to have a higher priority in case of a default or foreclosure. This provision is particularly important in real estate financing because it can facilitate refinancing or additional borrowing, ensuring that the new lender is willing to step in and provide funds by ensuring they have priority over any existing debts related to the property. Such clauses are essential in real estate transactions where multiple loans may be secured against a property, as they help manage the risk and establish a clear order of claims against the collateral. Understanding this concept is crucial for real estate professionals, as it impacts both the financing options available to property owners and the assessment of risks by lenders.

**10. In which scenario is a "lease-option" agreement typically utilized?**

- A. When a seller wants to retain ownership indefinitely**
- B. When a tenant has an option to purchase the property at a later date**
- C. When the property is undergoing major renovations**
- D. When a buyer prefers to rent without a purchase option**

A "lease-option" agreement is commonly utilized in scenarios where a tenant has the opportunity to purchase the property at a later date. This type of agreement combines a lease with an option to buy, allowing the tenant to rent the property with the potential to buy it after a specified period. It provides the tenant with the flexibility to live in the property while deciding whether they want to make a long-term commitment to purchase it. This arrangement can be beneficial for both parties: the seller can secure a tenant and maintain income from rent while potentially selling the property later on, and the tenant can secure the right to buy at a predetermined price, often benefiting from any increase in property value during the lease term. The other scenarios do not align with the purpose of a lease-option agreement. For instance, if a seller wishes to retain ownership indefinitely, a lease-option would not serve that goal since it gives the tenant a potential pathway to ownership. Similarly, if a property is undergoing major renovations, a lease-option may not be established until it is ready for occupation. Lastly, a buyer preferring to rent without a purchase option does not need a lease-option agreement, as that arrangement solely focuses on rental rather than the potential for eventual ownership.



## 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!**