

Michigan Real Estate Salesperson Practice Exam (Sample)

Study Guide



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SAMPLE

Questions

- 1. What type of information is typically disclosed under the Real Estate Settlement Procedures Act?**
 - A. Interest rates on mortgages**
 - B. Closing information and kickbacks**
 - C. Agent commissions**
 - D. Land use regulations**
- 2. What is the legal significance of a Bill of Sale?**
 - A. It is non-binding and informal**
 - B. It is used to lease real estate**
 - C. It can transfer ownership of personal property**
 - D. It is only valid in certain states**
- 3. What should a broker do if they believe a property is worth more than the owner's listed price?**
 - A. Inform the seller of the property's true value**
 - B. Adjust the listing price to the market value**
 - C. Seek a second opinion from another appraiser**
 - D. List it at the owner's price without comments**
- 4. In Michigan, what is true about the fee owed to a real estate agent for their services?**
 - A. It is always a fixed amount**
 - B. It can be negotiated between the agent and the client**
 - C. It is mandated by state law**
 - D. It cannot vary by property type**
- 5. What is the right of a person to regain his or her property after a foreclosure sale called?**
 - A. Restitution**
 - B. Redemption**
 - C. Restoration**
 - D. Reversion**

- 6. Which of the following can a broker take for a deposit with the seller's approval?**
- A. Earnest money**
 - B. Acceleration payment**
 - C. Security deposit**
 - D. Commission advance**
- 7. What document must a condominium developer provide when converting an apartment building into condominiums?**
- A. A financial statement.**
 - B. A condominium buyer's handbook and disclosure statement.**
 - C. A brochure detailing the community.**
 - D. A property management agreement.**
- 8. What can a landlord do if a tenant vacates without providing a forwarding address?**
- A. Charge the tenant for additional rent**
 - B. Keep the entire security deposit**
 - C. Use a portion of the deposit for damages without notice**
 - D. File an eviction notice**
- 9. Upon receiving a deposit on a transaction, what action must a salesperson take?**
- A. Keep it for safekeeping**
 - B. Deliver it to the client's attorney**
 - C. Deliver it to his/her employing broker**
 - D. Deposit it in a personal account**
- 10. Which covenant assures the grantee that the grantor holds the interest being conveyed?**
- A. Covenant of further assurances**
 - B. Covenant of quiet enjoyment**
 - C. Covenant of seisin**
 - D. Covenant against encumbrances**

Answers

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

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Explanations

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1. What type of information is typically disclosed under the Real Estate Settlement Procedures Act?

- A. Interest rates on mortgages**
- B. Closing information and kickbacks**
- C. Agent commissions**
- D. Land use regulations**

The Real Estate Settlement Procedures Act (RESPA) primarily focuses on ensuring transparency in the process of buying a home and the associated costs. One of its key objectives is to inform consumers about the various aspects of the settlement process, particularly regarding the closings. Under RESPA, it is mandatory to disclose certain closing costs and practices to prevent illegal practices such as kickbacks and referral fees that can inflate the cost of settlement. This law mandates that lenders provide consumers with a Good Faith Estimate (GFE) of settlement charges and a HUD-1 Settlement Statement, both designed to offer detailed information about the costs involved at closing. Disclosing kickbacks and the costs tied to the closing process helps consumers make more informed choices, which is crucial for maintaining fairness and competition within the real estate market. Understanding this aspect of RESPA is essential for real estate professionals to ensure compliance and safeguard consumers' rights during the transaction process.

2. What is the legal significance of a Bill of Sale?

- A. It is non-binding and informal**
- B. It is used to lease real estate**
- C. It can transfer ownership of personal property**
- D. It is only valid in certain states**

A Bill of Sale is a legal document used to transfer ownership of personal property from one party to another. It serves as a written record that indicates the sale and transfer of goods, ensuring that rights to the property are duly acknowledged and legally enforceable. This documentation is crucial in protecting both the buyer and the seller, providing proof of the transaction and facilitating the change of ownership. The legal significance of this document lies in its ability to clearly outline the terms of the transaction, such as the description of the item(s) being sold, the sale price, and the parties involved. By having a Bill of Sale, individuals can avoid disputes over ownership or the terms of the sale, making it a vital instrument in transactions involving personal property.

3. What should a broker do if they believe a property is worth more than the owner's listed price?

- A. Inform the seller of the property's true value**
- B. Adjust the listing price to the market value**
- C. Seek a second opinion from another appraiser**
- D. List it at the owner's price without comments**

The correct approach for the broker in this situation is to inform the seller of the property's true value. A broker has a fiduciary duty to act in the best interests of their client, which includes providing honest and accurate information about the value of the property. By discussing the potential higher value that the broker perceives, they enable the seller to make a more informed decision regarding the listing price. This communication can lead to an increased likelihood of selling the property at a price that reflects its true market value, benefiting both the seller and the broker's reputation for professionalism and transparency. While other options may seem reasonable, they do not prioritize the ethical obligations of the broker. Adjusting the listing price without the seller's consent could undermine the broker's relationship with the client. Seeking a second opinion may delay actions, and simply listing at the owner's price without any comments would not fulfill the broker's duty to guide and inform the client properly. Therefore, the responsibility to communicate the property's potential higher value is paramount.

4. In Michigan, what is true about the fee owed to a real estate agent for their services?

- A. It is always a fixed amount**
- B. It can be negotiated between the agent and the client**
- C. It is mandated by state law**
- D. It cannot vary by property type**

The fee owed to a real estate agent for their services in Michigan can be negotiated between the agent and the client. This flexibility allows both parties to come to an arrangement that reflects the specific circumstances of the transaction, the level of service provided, and the details of the market. Negotiation is common practice in the real estate industry, enabling agents to discuss their commission structure openly with clients to ensure it meets the needs and expectations of both sides. This aspect is important as it acknowledges that different services, property types, and market conditions can affect what agents charge. Clients may want to negotiate for lower fees if they believe they can handle certain aspects of the transaction themselves, while agents may adjust their fees based on the complexity of the sale or the value of the property. Having a fixed amount or a fee mandated by state law would not account for the variety of circumstances in real estate transactions, which can differ widely based on many factors including the agent's experience, the services provided, and the specific terms agreed upon between the agent and the client. Additionally, allowing fees to vary by property type enables a more tailored approach for each transaction.

5. What is the right of a person to regain his or her property after a foreclosure sale called?

- A. Restitution**
- B. Redemption**
- C. Restoration**
- D. Reversion**

The right of a person to regain his or her property after a foreclosure sale is known as redemption. This legal process allows a borrower to reclaim property by paying off the debt owed, including any additional fees or costs that may have accrued, typically within a specific time frame after the foreclosure sale has taken place. This mechanism is designed to give homeowners a chance to recover their properties, thereby reinforcing the principle of fairness by allowing them a second chance to remedy their financial situation. The other terms listed do not apply in this context. Restitution generally refers to the act of returning or compensating for lost or damaged property, often in a legal context involving compensation to an injured party, rather than reclaiming property after a foreclosure. Restoration involves returning something to a former condition but does not specify the reclaiming of property through financial means. Reversion typically relates to the return of property ownership to a grantor after the conclusion of a particular condition or term, not specifically tied to foreclosure situations.

6. Which of the following can a broker take for a deposit with the seller's approval?

- A. Earnest money**
- B. Acceleration payment**
- C. Security deposit**
- D. Commission advance**

The correct choice, which is earnest money, is specifically designed to show a buyer's serious intent to purchase a property. When a buyer submits an offer on a property, they typically include earnest money as part of that offer. This deposit is then held in trust until the transaction is completed, at which point it can be applied to the purchase price or returned to the buyer if the sale does not proceed, depending on the terms of the agreement. With the seller's approval, a broker may take earnest money as a deposit to assure the seller of the buyer's commitment. The other options do not fit this context. Acceleration payment refers to a clause in a mortgage or loan agreement that allows the lender to demand full repayment under certain conditions, which is not a type of deposit. A security deposit is unrelated to real estate transactions for home purchases, as it typically pertains to rental agreements, where it is held by a landlord as collateral against potential damages beyond normal wear and tear. A commission advance refers to a pre-payment of commission due to a broker, not a deposit tied to the property transaction itself. Therefore, only earnest money serves the purpose of being a deposit with seller approval in real estate transactions.

7. What document must a condominium developer provide when converting an apartment building into condominiums?

A. A financial statement.

B. A condominium buyer's handbook and disclosure statement.

C. A brochure detailing the community.

D. A property management agreement.

A condominium developer is required to provide a condominium buyer's handbook and disclosure statement when converting an apartment building into condominiums. This requirement is in place to ensure that potential buyers are fully informed about the property and the condominium ownership structure. The buyer's handbook typically outlines the rights and responsibilities of the condominium owners, as well as the rules governing the condominium association. The disclosure statement includes important information about the property, such as the financial status of the condominium association, any existing liens, and details of the building's management. While a financial statement might provide useful information regarding the financial health of the condominium association, it does not give a complete picture of the ownership experience. Similarly, a brochure detailing the community may provide general information about amenities and neighborhood features but lacks the legally required details about ownership and responsibilities. A property management agreement could be relevant to how the condominium is managed, but it does not inform prospective buyers about the specifics of their rights and obligations as condominium owners. Thus, providing the buyer's handbook and disclosure statement is essential to protect the interests of the buyers and ensure transparency in the purchase process.

8. What can a landlord do if a tenant vacates without providing a forwarding address?

A. Charge the tenant for additional rent

B. Keep the entire security deposit

C. Use a portion of the deposit for damages without notice

D. File an eviction notice

When a tenant vacates a rental property without providing a forwarding address, the landlord is allowed to use a portion of the security deposit for damages incurred without needing to give the tenant notice in order to deduct those damages. This is a part of a landlord's rights under Michigan law, which typically allows for deductions from the security deposit for unpaid rent or damages to the property. It is important to note, however, that the landlord must still comply with any relevant legal requirements regarding the handling of security deposits, including providing an itemized list of deductions if the tenant claims their deposit later or if they subsequently provide a forwarding address. Choosing to keep the entire security deposit or charge the tenant for additional rent or file an eviction notice in this scenario does not align with the established legal framework concerning security deposits and tenant rights. The landlord's actions regarding the security deposit must be specifically justified and documented, making the option regarding damages without notice the applicable choice in this situation.

9. Upon receiving a deposit on a transaction, what action must a salesperson take?

- A. Keep it for safekeeping**
- B. Deliver it to the client's attorney**
- C. Deliver it to his/her employing broker**
- D. Deposit it in a personal account**

When a salesperson receives a deposit on a transaction, the appropriate action is to deliver it to his or her employing broker. This requirement is rooted in the legal and ethical guidelines that govern real estate practice. The employing broker is responsible for managing client funds, ensuring compliance with fiduciary duties, and maintaining accurate records. By delivering the deposit to the broker, the salesperson ensures that the funds are handled in accordance with state laws and regulations, which typically mandate that earnest money be held in a trust or escrow account. This protects the interests of all parties involved in the transaction and prevents the salesperson from misusing or mishandling the funds. Other options, such as keeping the deposit for safekeeping or depositing it in a personal account, violate these standards. Additionally, delivering it to the client's attorney is not a standard procedure, as the broker is the appropriate party responsible for the handling of such deposits in most scenarios.

10. Which covenant assures the grantee that the grantor holds the interest being conveyed?

- A. Covenant of further assurances**
- B. Covenant of quiet enjoyment**
- C. Covenant of seisin**
- D. Covenant against encumbrances**

The correct answer is the covenant of seisin. This covenant is a fundamental aspect of property conveyance that guarantees the grantee that the grantor truly has ownership of the property being transferred. It assures the grantee that the grantor holds a valid, legal estate in the property and has the right to convey that interest. In essence, it is a promise that the title being conveyed is good and that the grantor is the rightful owner. Understanding this covenant is crucial because it protects the grantee from future disputes regarding ownership. If a grantor were to falsely claim ownership, the grantee would rely on this covenant to seek remedies. In contrast, the covenant of further assurances provides the grantee with the assurance that the grantor will take necessary actions to cure any defects in the title if such situations arise. The covenant of quiet enjoyment ensures the grantee that they will not be disturbed in their possession of the property by claims adverse to their ownership. Meanwhile, the covenant against encumbrances guarantees that the property is free from any undisclosed encumbrances, aside from those mentioned in the conveyance. While all these covenants serve important functions in property transactions, the specific assurance of ownership lies within the covenant of seisin.