

MICHIGAN REAL ESTATE SALESPERSON PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED 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. 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

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- 1. The discount points charged by a lender on a loan is a percentage of the:**
 - A. Loan amount
 - B. Interest rate
 - C. Appraised value
 - D. Closing costs
- 2. Which of the following types of property ownership allows for a right of survivorship?**
 - A. Joint tenants
 - B. Tenants in common
 - C. Leasehold estate
 - D. Life estate
- 3. What is required for a broker to open a branch office in another city?**
 - A. They need to hire a sales agent.
 - B. They must license the branch and have it managed by an associate broker.
 - C. They can operate without any licensing in the new city.
 - D. They only need to inform their current clients.
- 4. What does the term "2 points" refer to in real estate financing?**
 - A. A reduction in loan principal
 - B. The cost of a loan expressed as a percentage of the loan amount
 - C. A type of mortgage interest rate
 - D. A fee based on home appraisals
- 5. What is a common consequence of the exercise of eminent domain?**
 - A. Increased property value
 - B. Condemnation of property
 - C. Property tax reduction
 - D. Transfer of ownership to private entities
- 6. What is the main advantage of using the cost approach for appraisal?**
 - A. It provides a quick estimate of market value
 - B. It considers land value separately
 - C. It measures present intrinsic value
 - D. It factors in historical sales data

- 7. What does an installment contract (land contract) for the sale of estate not give the buyer?**
- A. Possession of the property
 - B. Legal title to the property
 - C. Equitable interest in the property
 - D. Right to lease the property
- 8. In Michigan, how must earnest money be handled by real estate brokers?**
- A. They must retain it until closing
 - B. They must deposit it in a trust account
 - C. They may keep it as a management fee
 - D. They are not allowed to accept earnest money
- 9. When does an agent usually earn a commission?**
- A. When the property is listed
 - B. If he produces a buyer willing, able and ready to buy the property
 - C. Once the property is sold
 - D. At the signing of the contract
- 10. How can an owner of land stop another person from gaining adverse possession over her land?**
- A. By establishing a fence
 - B. By either A or B
 - C. By filing a lawsuit
 - D. By notifying the trespasser

Answers

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

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Explanations

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1. The discount points charged by a lender on a loan is a percentage of the:

- A. Loan amount**
- B. Interest rate
- C. Appraised value
- D. Closing costs

When a lender charges discount points, it is calculated as a percentage of the loan amount. Discount points are essentially prepaid interest that a borrower pays upfront to obtain a lower interest rate over the life of the loan. Each point typically costs 1% of the total loan amount and is deducted from the loan amount to lower the interest rate. For example, if a borrower takes out a \$100,000 mortgage and the lender charges 2 discount points, the borrower would pay \$2,000 upfront to achieve a lower interest rate. This upfront payment can result in significant savings over time as it reduces the monthly mortgage payment. Understanding that discount points apply specifically to the loan amount rather than to the interest rate, appraised value, or closing costs is crucial for anyone involved in real estate transactions, as it directly impacts the financial aspects of obtaining a mortgage. This concept is fundamental for real estate professionals to effectively advise clients regarding mortgage products and costs associated with obtaining financing.

2. Which of the following types of property ownership allows for a right of survivorship?

- A. Joint tenants**
- B. Tenants in common
- C. Leasehold estate
- D. Life estate

The concept of "right of survivorship" refers to a feature of property ownership where, upon the death of one co-owner, their share of the property automatically transfers to the surviving co-owners rather than being passed on to the deceased's heirs. This legal principle is a key characteristic of ownership in joint tenancy. In joint tenancy, all owners have an equal share in the property, and the right of survivorship ensures a seamless transition of ownership upon death. This allows the remaining joint tenants to retain full control and ownership of the property without the necessity of going through probate or dealing with the deceased's estate. The unity of ownership among joint tenants reinforces the idea that they are treated as a single entity in terms of their rights to the property. Other forms of ownership such as tenants in common do not carry this right of survivorship; shares can be passed to heirs upon a co-owner's death. Leasehold estates are an arrangement where one party holds the right to use a property for a specified duration but does not confer ownership or survivorship rights. Similarly, a life estate gives one individual rights to a property for their lifetime, but upon their death, the interest typically reverts to another party rather than being shared with co-owners. Understanding these

3. What is required for a broker to open a branch office in another city?

- A. They need to hire a sales agent.
- B. They must license the branch and have it managed by an associate broker.**
- C. They can operate without any licensing in the new city.
- D. They only need to inform their current clients.

To open a branch office in another city, it's essential for a broker to ensure compliance with licensing requirements, which includes licensing the branch office itself. Additionally, having the branch managed by an associate broker is a regulatory necessity, as it guarantees that there is a qualified individual overseeing the operations, ensuring adherence to legal and ethical standards in that geographic area. This requirement underscores the importance of proper management and governance in real estate practices, as it helps maintain professionalism and accountability within the industry. By appointing an associate broker, the main broker maintains operational standards and provides proper oversight to the activities occurring at the branch level. This regulatory framework is in place to protect consumers and maintain the integrity of real estate transactions.

4. What does the term "2 points" refer to in real estate financing?

- A. A reduction in loan principal
- B. The cost of a loan expressed as a percentage of the loan amount**
- C. A type of mortgage interest rate
- D. A fee based on home appraisals

The term "2 points" in real estate financing refers to a method of expressing the cost of a loan as a percentage of the total loan amount. In this context, "points" are typically associated with loan origination fees, where each point equals one percent of the loan amount. Therefore, if a borrower is charged 2 points on a \$100,000 loan, they would need to pay \$2,000 upfront as part of the loan costs. This concept is crucial for understanding how much it costs to obtain a mortgage, as these points can be seen as prepaid interest, lowering the borrower's monthly payment or overall interest rate in some cases. Understanding points can help borrowers make informed decisions regarding the total cost of their financing options, particularly when comparing different loan products.

5. What is a common consequence of the exercise of eminent domain?

- A. Increased property value
- B. Condemnation of property**
- C. Property tax reduction
- D. Transfer of ownership to private entities

The exercise of eminent domain is a government power that allows the state or local authorities to take private property for public use, provided that just compensation is given to the property owner. A common consequence of this process is the condemnation of property, which means that the property is officially taken and the government asserts its right to acquire it for a specific public purpose, such as building roads, schools, or other infrastructure projects. This process is governed by law to ensure that property owners are fairly compensated for their loss, which is a fundamental aspect of eminent domain. Such actions can lead to significant changes in land use and development patterns, affecting the community as a whole. The other options do not occur as direct consequences of eminent domain; for example, while property values may change post-condemnation, it is not a direct result of the eminent domain act itself. Similarly, property tax reduction and transfers of ownership to private entities are not inherently linked to the exercise of eminent domain.

6. What is the main advantage of using the cost approach for appraisal?

- A. It provides a quick estimate of market value
- B. It considers land value separately**
- C. It measures present intrinsic value
- D. It factors in historical sales data

The primary advantage of using the cost approach for appraisal lies in its consideration of land value separately from the value of the improvements on the property. This method involves calculating the cost to replace or reproduce the improvements (such as buildings or structures) and then adding the value of the land on which they sit. By separating these two components, appraisers can provide a clearer picture of the property's overall value, especially in situations where there are few comparable sales, or when the property is unique in nature. This approach is particularly useful for new constructions or special-purpose properties where traditional sales comparisons may not apply. In contrast, while some methods may provide quick estimates or incorporate historical sales data, they do not isolate the intrinsic elements of land and improvements as effectively as the cost approach. Thus, the separation of land value is a defining feature of this appraisal method, ensuring a comprehensive evaluation of the property.

7. What does an installment contract (land contract) for the sale of estate not give the buyer?

- A. Possession of the property
- B. Legal title to the property**
- C. Equitable interest in the property
- D. Right to lease the property

An installment contract, also known as a land contract, is a type of agreement used in real estate transactions, particularly when a buyer does not immediately obtain full ownership of the property. Under this type of contract, the buyer makes regular payments to the seller over time, and in exchange, the buyer receives possession of the property. However, what distinguishes an installment contract is that the buyer does not receive legal title to the property until the contract is fully paid off. Instead, the buyer acquires an equitable interest in the property, which gives them certain rights, such as the right to occupy and use the property. The seller typically retains legal title until all payments are made, which protects them in case of default by the buyer. The notion that the buyer has an equitable interest acknowledges their rights during the duration of the contract, including the ability to improve the property and potentially lease it, subject to the terms of the contract. However, the key aspect is that they do not hold legal title during the payment period, which differentiates this agreement from a traditional outright sale where the buyer would own the property outright immediately after closing. Thus, the buyer's lack of legal title is a fundamental characteristic of an installment contract.

8. In Michigan, how must earnest money be handled by real estate brokers?

- A. They must retain it until closing
- B. They must deposit it in a trust account**
- C. They may keep it as a management fee
- D. They are not allowed to accept earnest money

In Michigan, real estate brokers are required to deposit earnest money into a trust account. This practice ensures that the funds are held securely and are kept separate from the broker's personal or business accounts. The use of a trust account provides transparency and protects the interests of all parties involved in the real estate transaction. It also complies with Michigan's real estate laws, which dictate how brokers must manage and safeguard clients' funds. This approach fosters trust between the buyer and seller, as it shows that the earnest money is being handled in a professional and lawful manner. By placing the funds in a trust account, the broker can ensure that the earnest money is accessible for its intended purpose, which is usually applied toward the buyer's deposit or closing costs if the transaction proceeds as planned. In contrast to other options, retaining earnest money until closing, keeping it as a management fee, or not allowing brokers to accept earnest money is not permissible under Michigan regulations. The requirement for a trust account is a crucial safeguard in the real estate process, ensuring that all parties are treated fairly and that their financial commitments are managed appropriately.

9. When does an agent usually earn a commission?

- A. When the property is listed
- B. If he produces a buyer willing, able and ready to buy the property**
- C. Once the property is sold
- D. At the signing of the contract

An agent typically earns a commission when they produce a buyer who is willing, able, and ready to buy the property. This concept is central to the nature of real estate transactions and highlights the agent's role in facilitating the sale. At this stage, the agent has successfully fulfilled one of their primary responsibilities by connecting a buyer with a seller and ensuring that the buyer meets the necessary criteria to proceed with the purchase. This understanding hinges on the importance of not just having a prospective buyer, but one who is also ready to move forward—meaning they have the financial ability to make the purchase and are committed to the process. This aspect of the real estate transaction is often reinforced in real estate training and serves as a fundamental principle in the industry regarding commission entitlement. The other options reflect points in the process of selling real estate but do not accurately describe the specific moment when an agent rightfully earns their commission. Simply having a property listed or having a contract signed does not guarantee that a sale will take place, and thus the commission is not earned at those stages.

10. How can an owner of land stop another person from gaining adverse possession over her land?

- A. By establishing a fence
- B. By either A or B**
- C. By filing a lawsuit
- D. By notifying the trespasser

To prevent another person from gaining adverse possession over their land, the owner can take proactive measures that assert their rights to the property. Establishing a fence is a physical act that demonstrates the owner's intent to maintain control over the land, thereby indicating that they are actively using and guarding their property. This action serves as a clear boundary, which can deter potential adverse possessors from claiming rights over the land. Moreover, the owner may also choose to file a lawsuit to formally challenge any unauthorized use of the property. By doing so, the owner reinforces their legal rights and can potentially obtain a court order to prevent further trespassing. This action is often necessary if the adverse possessor does not respond to other attempts to discourage their claims. Thus, both establishing a fence and filing a lawsuit are valid actions that can be taken by the landowner to prevent adverse possession. When both of these options are considered, it encapsulates that the owner has multiple avenues to safeguard their interests, which is why the correct answer includes both options.

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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.

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

<https://michiganrealestatesalesperson.examzify.com>

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

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