

Minnesota Real Estate Salesperson Practice Exam (Sample)

Study Guide



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SAMPLE

Questions

- 1. What is the minimum square footage required for a unit to qualify as manufactured housing?**
 - A. 200 sq ft**
 - B. 320 sq ft**
 - C. 400 sq ft**
 - D. 500 sq ft**
- 2. Which of the following describes junior loans?**
 - A. Loans backed by government entities**
 - B. Loans that are subordinate to primary loans**
 - C. Loans used primarily for commercial development**
 - D. Loans for purchasing agricultural land**
- 3. What do points or discount points represent in a mortgage loan?**
 - A. Prepaid fees for securing a loan**
 - B. Interest rate adjustments**
 - C. Monthly payments**
 - D. Loan extensions**
- 4. What does a quitclaim deed typically allow for?**
 - A. Transfer of ownership with warranties**
 - B. Clearance of title disputes between parties**
 - C. Immediate access to property for construction**
 - D. Clearance of liens from property**
- 5. According to government regulations, what must the majority of a savings and loan association's assets be invested in?**
 - A. Stock market investments**
 - B. Real estate loans**
 - C. Corporate bonds**
 - D. Government securities**

- 6. What type of arrangement allows renters to build down payment funds while paying rent?**
- A. Standard lease agreement**
 - B. Lease with an option to buy**
 - C. Rent-to-own agreement**
 - D. Month-to-month lease**
- 7. In real estate transactions, which term best describes a buyer's ability to freely transfer their mortgage?**
- A. Loan assumption**
 - B. Pre-approval**
 - C. Right of assignment**
 - D. Subject to a mortgage sale**
- 8. What is the primary function of title insurance?**
- A. To cover legal fees**
 - B. To protect against future market changes**
 - C. To insure against past ownership problems**
 - D. To guarantee property tax payments**
- 9. What term describes a set monthly payment that remains the same despite fluctuations in the interest rate?**
- A. Payment cap**
 - B. Rate cap**
 - C. Fixed-rate mortgage**
 - D. Negative amortization**
- 10. In estate law, who is the person named to manage the assets and liabilities of a deceased person?**
- A. A probate judge**
 - B. An agent**
 - C. An executor or executrix**
 - D. A trustee**

Answers

SAMPLE

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

SAMPLE

Explanations

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1. What is the minimum square footage required for a unit to qualify as manufactured housing?

- A. 200 sq ft**
- B. 320 sq ft**
- C. 400 sq ft**
- D. 500 sq ft**

Manufactured housing is defined by various standards, including specific requirements set by the state and federal guidelines. For a unit to qualify as manufactured housing, it typically must meet minimum size requirements to ensure it provides adequate living space. In this context, the correct minimum square footage of 320 square feet indicates a threshold ensuring the unit can reasonably accommodate the essentials for habitation. This size reflects a balance between safety, comfort, and functionality, which aligns with the regulatory framework for housing classified as manufactured. While smaller units may exist, they do not typically meet the criteria established for manufactured homes, often leading to classification differences. The other options generally exceed or fall below this regulatory standard, thus not providing the suitable benchmark for what constitutes manufactured housing in a legal and functional sense.

2. Which of the following describes junior loans?

- A. Loans backed by government entities**
- B. Loans that are subordinate to primary loans**
- C. Loans used primarily for commercial development**
- D. Loans for purchasing agricultural land**

Junior loans refer to loans that are subordinate to primary loans, or primary mortgages. This subordination means that in the event of default, if the borrower fails to repay the debt, the primary lender has the first claim on the property. Junior loans include second mortgages or home equity lines of credit, which are taken out in addition to the primary loan. These types of loans are often used by homeowners to access additional financing without refinancing their primary loan. The risk associated with junior loans is higher for the lender because they are less likely to recover the full amount owed if the property is sold or foreclosed upon, as the primary loan must be satisfied first. In contrast, the other options do not accurately describe junior loans. Loans backed by government entities refer more to programs like FHA or VA loans, not the subordinate nature of junior loans. Commercial development loans typically do not fall under the category of junior loans as they are often a different type of financing altogether. Lastly, loans specifically for the purchase of agricultural land would not encompass the broader definition of junior loans.

3. What do points or discount points represent in a mortgage loan?

A. Prepaid fees for securing a loan

B. Interest rate adjustments

C. Monthly payments

D. Loan extensions

Points, or discount points, represent prepaid fees that a borrower pays upfront to secure a mortgage loan. Each point typically costs 1% of the loan amount and is paid at closing. By paying these points, borrowers can effectively lower their interest rate, which can lead to significant savings over the life of the loan. This upfront payment is considered a way to "buy down" the rate, making the monthly payments lower than they would be without the points. While points can influence the interest rate adjustments, the primary function of paying points is to reduce the long-term cost of borrowing by securing a lower rate. Thus, understanding that points serve as a form of prepaid interest is key to maximizing the economic benefits when obtaining a loan.

4. What does a quitclaim deed typically allow for?

A. Transfer of ownership with warranties

B. Clearance of title disputes between parties

C. Immediate access to property for construction

D. Clearance of liens from property

A quitclaim deed is specifically designed to transfer whatever interest the grantor has in a property to the grantee without any warranties or guarantees regarding the title. This means that if the grantor does have a claim or ownership of the property, it is transferred; however, if there are any existing disputes or issues with the title, those are not resolved with a quitclaim deed. This deed is particularly useful in situations where the parties know each other well, such as between family members or in divorce settlements, and where the intent is to clear up any potential claims or disputes related to ownership without the grantor needing to affirm the validity of the title. Hence, the quitclaim deed is an effective tool for clearing title disputes because it removes ambiguities regarding ownership, which can be particularly important in informal transfers. The other options relate to functions typically covered by different types of deeds or legal actions, such as warranty deeds providing assurances, construction access needing specific agreements, and lien clearance often requiring specific legal actions beyond what a quitclaim deed provides.

5. According to government regulations, what must the majority of a savings and loan association's assets be invested in?

A. Stock market investments

B. Real estate loans

C. Corporate bonds

D. Government securities

The regulations governing savings and loan associations require that the majority of their assets be invested in real estate loans. This is grounded in the historical purpose of savings and loan associations, which were established primarily to promote homeownership by providing affordable mortgage financing. As such, these institutions focus on lending practices that support residential property purchases. By mandating that a significant portion of their assets be allocated to real estate loans, these regulations ensure that savings and loan associations maintain stability and alignment with their core mission of supporting the housing market. This structure is designed to promote sound lending practices and to help secure the financial interests of depositors who expect their savings to be invested in secure and tangible assets like real estate. The other investment options, such as stock market investments, corporate bonds, and government securities, do not adhere to the primary focus of savings and loans on facilitating homeownership. While these alternative investments might offer returns, they do not align with the fundamental operating principles and regulatory requirements that govern savings and loan associations.

6. What type of arrangement allows renters to build down payment funds while paying rent?

A. Standard lease agreement

B. Lease with an option to buy

C. Rent-to-own agreement

D. Month-to-month lease

The arrangement that enables renters to build down payment funds while paying rent is a lease with an option to buy. This type of agreement allows a tenant to rent a property with the additional option to purchase it at a later date. Typically, a portion of the rent paid may be credited towards the future purchase price, which helps the tenant accumulate a down payment. This arrangement benefits individuals who may need time to improve their credit scores or save for a down payment but are interested in purchasing the property at some point in the future. In contrast, a standard lease agreement does not provide any option or commitment to purchase the property at a later date, nor does it typically allow for the accumulation of funds toward a down payment. Similarly, a month-to-month lease offers flexibility for renting without any plans for purchase, and while a rent-to-own agreement can also involve building equity, it is typically more structured than a straightforward lease with an option.

7. In real estate transactions, which term best describes a buyer's ability to freely transfer their mortgage?

- A. Loan assumption**
- B. Pre-approval**
- C. Right of assignment**
- D. Subject to a mortgage sale**

The term that best describes a buyer's ability to freely transfer their mortgage is the right of assignment. This concept allows a borrower to transfer their rights and obligations under the mortgage agreement to another party. When a buyer has the right of assignment, they can assign their mortgage to another, potentially making it easier for them to sell the property or transfer ownership without complications from the lender. Loan assumption refers to a situation where a buyer takes over the seller's existing mortgage, which can involve specific lender approval. Pre-approval relates to a buyer getting approval from a lender for a loan before looking for a property, but it does not pertain to transferring a mortgage. The term "subject to a mortgage sale" indicates that the buyer is purchasing property while the existing mortgage remains in place, but it does not inherently confer the ability to transfer the mortgage itself. Thus, the right of assignment accurately captures the idea of transferring mortgage obligations and rights, making it the most appropriate choice for describing a buyer's freedom to transfer their mortgage.

8. What is the primary function of title insurance?

- A. To cover legal fees**
- B. To protect against future market changes**
- C. To insure against past ownership problems**
- D. To guarantee property tax payments**

The primary function of title insurance is to insure against past ownership problems. This means that title insurance provides protection to property buyers and lenders from issues that may have arisen before the purchase, such as liens, encumbrances, or disputes over property boundaries. Title insurance ensures that the buyer receives a clear title to the property being purchased, which is crucial for securing ownership rights. By covering issues that may not be discovered during the title search process, title insurance offers peace of mind to the insured parties. If a problem does arise, the title insurance company will cover legal fees associated with resolving ownership disputes, which addresses potential concerns that might impact the buyer's or lender's investment. The other options do not represent the primary function of title insurance. For instance, while legal fees may be covered under specific circumstances, that is not the main purpose of title insurance. Protecting against future market changes and guaranteeing property tax payments are also outside the scope of title insurance coverage.

9. What term describes a set monthly payment that remains the same despite fluctuations in the interest rate?

- A. Payment cap**
- B. Rate cap**
- C. Fixed-rate mortgage**
- D. Negative amortization**

The term that describes a set monthly payment that remains the same despite fluctuations in the interest rate is known as a fixed-rate mortgage. In a fixed-rate mortgage, the interest rate is established at the outset of the loan and does not change over the life of the loan. This consistency means that borrowers can reliably budget their monthly payments without worrying about interest rate increases, thus providing financial stability. The other options, such as payment cap and rate cap, refer to specific mechanisms that limit the amount by which payments or interest rates can increase, typically associated with adjustable-rate mortgages. Negative amortization describes a situation where the monthly payments are insufficient to cover the interest due, causing the loan balance to grow rather than diminish, which is not related to fixed payments. In summary, the correct term for a loan with a fixed monthly payment that is not affected by changes in interest rates is a fixed-rate mortgage.

10. In estate law, who is the person named to manage the assets and liabilities of a deceased person?

- A. A probate judge**
- B. An agent**
- C. An executor or executrix**
- D. A trustee**

In estate law, the individual responsible for managing the assets and liabilities of a deceased person is known as an executor or executrix. This person is specifically appointed in the deceased individual's will and holds the legal authority to oversee the distribution of the estate in accordance with the terms outlined in the will. Their duties include gathering and inventorying the deceased's assets, settling debts and liabilities, filing necessary tax returns, and ultimately distributing the remaining assets to the beneficiaries as designated by the will. The role of the executor or executrix is essential in ensuring that the deceased's wishes are honored and that the estate is administered in compliance with legal requirements. This is distinct from the responsibilities of a probate judge, who oversees the probate process but does not manage individual estates themselves. An agent typically refers to someone empowered to act on behalf of another person, which does not encompass the specific legal authority conferred to an executor. Lastly, a trustee is involved in managing a trust rather than directly managing the estate of a deceased person, which further clarifies the unique role of an executor or executrix in the context of estate administration.