

National PSI Broker 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

- 1. What is the outcome if a contract is declared void?**
 - A. It is treated as if it never existed.**
 - B. It can still be enforced under certain conditions.**
 - C. It remains valid until one party waives their rights.**
 - D. It requires a court to confirm its status.**
- 2. A tenant with a disability requests modifications for accessibility. What must the landlord do?**
 - A. Pay for the modifications**
 - B. Reduce the rent**
 - C. Allow the tenant to make changes**
 - D. Require an extra damage deposit**
- 3. Why is it vital for brokers to stay updated on industry trends?**
 - A. To maintain personal networks with clients**
 - B. To reduce their own insurance costs**
 - C. To provide clients with relevant coverage options and advice**
 - D. To meet company profit goals**
- 4. What is the primary regulatory body governing insurance practices at the federal level?**
 - A. The National Association of Insurance Commissioners (NAIC)**
 - B. The Federal Insurance Office (FIO)**
 - C. The Securities and Exchange Commission (SEC)**
 - D. The Federal Trade Commission (FTC)**
- 5. What is the obligation of a listing agent when a buyer expresses interest in a property?**
 - A. To automatically become a dual agent**
 - B. To inform the buyer that they cannot share confidential information**
 - C. To assure the buyer their information is confidential**
 - D. To not address any disclosure obligations at this point**

- 6. Is a purchase contract valid if a minor sells inherited property?**
- A. Yes, it is valid and enforceable.**
 - B. No, it is void.**
 - C. No, it is voidable by the minor.**
 - D. No, it is unenforceable by the minor.**
- 7. Which concept refers to the legal principle that an insured must have an insurable interest in the subject of insurance?**
- A. Risk Assumption**
 - B. Insurable Interest**
 - C. Indemnification**
 - D. Subrogation**
- 8. During an inspection, if a buyer uncovers major structural issues leading to a contract termination, what is this called?**
- A. A valid contract which has become voidable by both parties.**
 - B. Specific performance for both parties with no monetary remedy.**
 - C. Mutual rescission of the contract.**
 - D. A void contract with parties in agreement.**
- 9. Why is it important for insurers to handle claims effectively?**
- A. To limit the number of clients**
 - B. To maintain a competitive edge and client trust**
 - C. To determine the amount of refunds**
 - D. To increase the number of policies sold**
- 10. If a seller admits that improvements were made without a permit, who is responsible for disclosing this information?**
- A. Only the seller**
 - B. Only the broker**
 - C. Both the seller and the broker**
 - D. Neither, as it would be found in title work**

Answers

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

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Explanations

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1. What is the outcome if a contract is declared void?

- A. It is treated as if it never existed.**
- B. It can still be enforced under certain conditions.**
- C. It remains valid until one party waives their rights.**
- D. It requires a court to confirm its status.**

When a contract is declared void, the outcome is that it is treated as if it never existed. This means that the contractual obligations and rights outlined within the agreement are nullified, and neither party can enforce any terms or conditions. The legal interpretation of a void contract recognizes that it lacks legal effect from the beginning, which is often due to reasons such as illegality or lack of capacity to contract. As a result, parties involved cannot claim any rights or obligations under that contract, making it as though the contract never took place. In contrast, other options suggest that a void contract may still have some enforceability or require further legal action, which is not the case. A void contract does not need a court's confirmation to be considered invalid; it automatically holds no legal weight.

2. A tenant with a disability requests modifications for accessibility. What must the landlord do?

- A. Pay for the modifications**
- B. Reduce the rent**
- C. Allow the tenant to make changes**
- D. Require an extra damage deposit**

When a tenant with a disability requests modifications for accessibility, the landlord is required to allow the tenant to make the necessary changes to the property. This is part of fulfilling obligations under the Fair Housing Act, which mandates that housing providers make reasonable accommodations for individuals with disabilities. The landlord cannot refuse these requests if the modifications are necessary for the tenant to have full enjoyment of the dwelling. Such modifications can include installing grab bars, ramps, or wider doorways to accommodate mobility devices. However, it is important to note that tenants are typically responsible for the costs of these modifications unless otherwise agreed upon. Once the tenant vacates, the landlord may require the property to be restored to its original condition, unless the modifications were made in a way that enhances the property. In contrast, the other options would not address the requirements set forth for landlords. Paying for the modifications or reducing rent is not a mandatory obligation under the law. Additionally, requiring an extra damage deposit could be seen as discriminatory and a barrier to accessibility, which does not comply with fair housing regulations.

3. Why is it vital for brokers to stay updated on industry trends?

- A. To maintain personal networks with clients**
- B. To reduce their own insurance costs**
- C. To provide clients with relevant coverage options and advice**
- D. To meet company profit goals**

Staying updated on industry trends is crucial for brokers because it directly impacts their ability to serve clients effectively. Knowledge of the latest trends allows brokers to provide relevant coverage options and sound advice tailored to current market conditions. This understanding enables brokers to identify emerging risks, new insurance products, and changes in regulations that may affect their clients. By being well-informed, brokers can make recommendations that align with their clients' evolving needs, thus enhancing client satisfaction and trust. This not only helps in retaining clients but also positions brokers as valuable experts within the industry, fostering stronger relationships and potentially leading to referrals and business growth. While maintaining personal networks, reducing insurance costs, or meeting profit goals may play a role in a broker's business strategy, the primary focus should always be on delivering exceptional service and relevant guidance based on the latest information available.

4. What is the primary regulatory body governing insurance practices at the federal level?

- A. The National Association of Insurance Commissioners (NAIC)**
- B. The Federal Insurance Office (FIO)**
- C. The Securities and Exchange Commission (SEC)**
- D. The Federal Trade Commission (FTC)**

The Federal Insurance Office (FIO) serves as the primary regulatory body at the federal level related to insurance practices. Established by the Dodd-Frank Wall Street Reform and Consumer Protection Act, the FIO was created to monitor the health of the insurance industry, particularly focusing on systemic risk and ensuring financial stability. Its responsibilities include assessing the insurance sector's resilience against economic challenges and providing oversight in the areas of solvency and market conduct. While it does not directly regulate insurance companies, it plays a crucial role in coordinating federal and state relations in insurance regulation. In contrast, while the National Association of Insurance Commissioners (NAIC) is an important organization within the insurance regulatory framework, it primarily functions as a collective of state regulators rather than a federal body. The Securities and Exchange Commission (SEC) and the Federal Trade Commission (FTC) also have significant regulatory roles, but they are focused on securities markets and trade practices, respectively, and not specifically on insurance as a primary concern. This highlights the unique mission of the FIO in relation to other entities, placing it at the center of federal oversight for insurance practices.

5. What is the obligation of a listing agent when a buyer expresses interest in a property?
- A. To automatically become a dual agent
 - B. To inform the buyer that they cannot share confidential information**
 - C. To assure the buyer their information is confidential
 - D. To not address any disclosure obligations at this point

When a buyer expresses interest in a property, the obligation of a listing agent is to inform the buyer that they cannot share confidential information that may have been disclosed by the seller. This is important because the listing agent has a fiduciary duty to the seller, which includes protecting the seller's confidential information. The agent must ensure that the buyer understands the limits of the relationship and that any sensitive information, such as the seller's motivations or pricing strategies, cannot be disclosed without the seller's consent. This understanding is crucial in real estate transactions, as it helps maintain trust between the agent and the seller, while also ensuring that the buyer is aware of the boundaries of the information that can be shared. By clarifying this point, the agent adheres to ethical standards and legal responsibilities inherent in real estate practice.

6. Is a purchase contract valid if a minor sells inherited property?
- A. Yes, it is valid and enforceable.
 - B. No, it is void.
 - C. No, it is voidable by the minor.**
 - D. No, it is unenforceable by the minor.

When it comes to contracts involving minors, the general legal principle is that minors do not have the full capacity to enter into binding contracts. This is grounded in the belief that minors may not fully understand the implications of their actions or possess the maturity necessary to make such decisions. In the case of a minor selling inherited property, the contract is not considered void; rather, it is voidable at the minor's discretion. This means that the minor has the right to affirm or reject the contract once they reach the age of majority or within a reasonable time after that. The law allows this for the protection of minors to ensure they aren't taken advantage of in contracts they may not fully comprehend. Therefore, while the contract exists and is recognized, it allows the minor the option to void it, giving them control over their legal commitments as they transition into adulthood. This distinction is crucial in understanding the legal implications of contracts involving minors, particularly regarding property transactions.

7. Which concept refers to the legal principle that an insured must have an insurable interest in the subject of insurance?

A. Risk Assumption

B. Insurable Interest

C. Indemnification

D. Subrogation

The concept that refers to the legal principle that an insured must have an insurable interest in the subject of insurance is insurable interest. This principle requires that the insured has a stake in the subject matter of the insurance policy, meaning they would suffer a financial loss if the insured event occurs. Insurable interest is a foundational element in insurance contracts, ensuring that insurance serves its purpose of protection against losses rather than providing a speculative or gambling advantage. For example, when purchasing a policy for a home, the homeowner has an insurable interest because their financial investment in the property would be at risk if it were damaged or destroyed. This requirement also helps prevent moral hazard, where someone might take unnecessary risks if they stand to benefit from an insurance payout without the genuine need or stake in the property or person insured. The other concepts relate to different aspects of insurance but do not specifically define the necessity of having a stake in the subject of the insurance policy. Risk assumption pertains to the acceptance of risk, indemnification discusses compensating the insured for losses, and subrogation refers to the insurer's right to pursue third parties responsible for the loss after compensating the insured.

8. During an inspection, if a buyer uncovers major structural issues leading to a contract termination, what is this called?

A. A valid contract which has become voidable by both parties.

B. Specific performance for both parties with no monetary remedy.

C. Mutual rescission of the contract.

D. A void contract with parties in agreement.

When a buyer discovers major structural issues during an inspection, leading to the termination of a contract, this situation typically results in a mutual rescission of the contract. Mutual rescission is an agreement between both parties to cancel the contract, often due to satisfactory grounds such as the discovery of significant problems that were not disclosed prior to the agreement. This allows both the buyer and the seller to release themselves from their contractual obligations without further liability. In real estate transactions, when a material defect is found that was not known prior to the agreement, it can serve as a legitimate reason for the buyer to withdraw from the contract. The parties agree to return to their prior positions before the contract was formed, effectively nullifying the agreement. This process maintains fairness and equity, allowing both parties to disengage without negative repercussions associated with the contract's performance.

9. Why is it important for insurers to handle claims effectively?

- A. To limit the number of clients**
- B. To maintain a competitive edge and client trust**
- C. To determine the amount of refunds**
- D. To increase the number of policies sold**

It is important for insurers to handle claims effectively because doing so helps maintain a competitive edge and fosters client trust. When insurers process claims efficiently and fairly, it enhances the overall customer experience, encouraging policyholders to remain loyal to the company. Satisfied customers are more likely to recommend the insurer to others, leading to positive word-of-mouth and potentially attracting new clients. Moreover, effective claims handling reflects an insurer's reliability and professionalism. In a highly competitive market, companies must differentiate themselves through superior service, and managing claims well is a key component of that service. When clients trust that their claims will be handled fairly and promptly, they feel more confident in their decision to choose and stick with that insurer over time. This dynamic not only nurtures long-term relationships but can also bolster the company's reputation in the industry.

10. If a seller admits that improvements were made without a permit, who is responsible for disclosing this information?

- A. Only the seller**
- B. Only the broker**
- C. Both the seller and the broker**
- D. Neither, as it would be found in title work**

In real estate transactions, both the seller and the broker have distinct but overlapping responsibilities when it comes to disclosing information about a property. If a seller admits that improvements were made without the proper permits, the seller is obligated to disclose that information as it pertains to the condition and legality of the property. This is necessary to provide potential buyers with a full understanding of what they might be acquiring and to avoid any legal disputes later. At the same time, brokers have a duty to disclose known material facts about the property that could affect a buyer's decision. If the broker is aware of the seller's admission regarding unpermitted improvements, they too must disclose this information. The disclosure process is crucial to maintaining transparency in the real estate market and protecting all parties involved. Therefore, both the seller and the broker share the responsibility for disclosure when it comes to unpermitted improvements. This collaborative disclosure ensures that buyers are fully informed about the property's status and legality, which is important for making an informed purchase decision.

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://nationalpsibroker.examzify.com>

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