

National PSI Broker 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. What does the term "claims reserve" typically refer to in insurance?**
 - A. Funds set aside for brand promotions**
 - B. Money earmarked for potential claim payouts**
 - C. Revenue generated from policy premiums**
 - D. Operating expenses of the insurer**
- 2. What type of listing agreement allowed the broker to receive a commission even if the seller sold the property independently?**
 - A. Open**
 - B. Exclusive agency**
 - C. Exclusive right to sell**
 - D. Exclusive agency with a "seller may not sell" contingency**
- 3. What is the next step a development company should take after creating a plat map for selling lots?**
 - A. Train a sales group to start selling lots.**
 - B. Issue building permits and develop building codes.**
 - C. Record the plat map with the county.**
 - D. Request a certificate of occupancy from the county.**
- 4. Monuments in land surveys are primarily used to establish what?**
 - A. Lot size.**
 - B. Variances.**
 - C. Zoning rules.**
 - D. Boundaries.**
- 5. Under a contract for deed, when does the buyer receive legal title to the property?**
 - A. Full rights of possession and full legal title are received upon making the final loan payment.**
 - B. Partial legal title and full rights of possession are received at closing.**
 - C. Title is received as agreed to in the contract, and possession is received upon making the final loan payment.**
 - D. Possession is received as agreed to in the contract, and title is received upon making the final loan payment.**

- 6. A couple earning \$4,840 per month wishes to have a mortgage payment no more than 25% of their earnings. Which interest rate and term will give them a payment closest to their target?**
- A. 5% over 15 years**
 - B. 5.75% over 30 years**
 - C. 6.25% over 20 years**
 - D. 7% over 30 years**
- 7. In the context of selling real estate, what does the term "brokerage firm" refer to?**
- A. A single real estate agent**
 - B. A company that manages a team of agents**
 - C. A property owner's individual dealings**
 - D. A local real estate association**
- 8. Name an essential skill a successful broker must possess.**
- A. Technical expertise in risk assessment**
 - B. Effective communication skills**
 - C. Advanced knowledge of financial markets**
 - D. Ability to manage a team**
- 9. What does "PandC" refer to in the insurance industry?**
- A. Property and Casualty insurance**
 - B. Personal and Commercial insurance**
 - C. Public and Corporate insurance**
 - D. Protected and Comprehensive insurance**
- 10. What should a broker do if a seller expresses a strong willingness to sell their property?**
- A. Advertise the seller as motivated without permission**
 - B. Lower the listing price to attract buyers**
 - C. Disclose the seller's motivation to potential buyers**
 - D. Remain silent until given written permission by the seller**

Answers

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

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Explanations

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1. What does the term “claims reserve” typically refer to in insurance?

- A. Funds set aside for brand promotions**
- B. Money earmarked for potential claim payouts**
- C. Revenue generated from policy premiums**
- D. Operating expenses of the insurer**

The term “claims reserve” refers specifically to the money earmarked for potential claim payouts. In the insurance industry, a claims reserve is an essential financial tool used to ensure that an insurer has enough funds available to pay future claims that have been reported, as well as those that may be incurred but not yet reported. This reserve is crucial for maintaining the financial health of an insurance company, as it allows the company to meet its obligations to policyholders and manage the risks associated with claims. A well-established claims reserve helps insurers accurately predict their liabilities and ensures regulatory compliance as they can demonstrate their ability to cover future claims. It's a calculated estimate based on various factors, including historical claims data, current trends, and expert assessments. Other options do not relate to the concept of claims reserves. Funds for brand promotions and operating expenses are part of different budgetary considerations for an insurer, while revenue generated from policy premiums refers to the income an insurer receives from underwriting policies, not specifically to reserves for claims. Hence, the definition that claims reserves serve to set aside funds for potential claim payouts is the accurate representation in this context.

2. What type of listing agreement allowed the broker to receive a commission even if the seller sold the property independently?

- A. Open**
- B. Exclusive agency**
- C. Exclusive right to sell**
- D. Exclusive agency with a "seller may not sell" contingency**

The exclusive right to sell listing agreement is the correct choice because it grants the broker the sole right to earn a commission regardless of how the sale occurs. This means that even if the seller finds a buyer without the broker's assistance, the broker is still entitled to receive the commission. This type of agreement is highly advantageous for brokers, as it ensures their compensation for marketing the property and providing their services. In this scenario, the exclusive right to sell agreement solidifies the broker's role and responsibility throughout the selling process, giving them a strong incentive to actively promote the property. This builds a significant commitment from the broker to market and negotiate the sale effectively. Other types of agreements, such as open listings or exclusive agency listings, do not provide this same level of protection for the broker. In an open listing, the seller can work with multiple brokers and only pays a commission to the one who brings in a buyer. Exclusive agency agreements allow the seller to sell the property independently without owing a commission to the broker if they do, which does not guarantee the broker any payment if the seller finds a buyer on their own. A listing with a "seller may not sell" contingency is not standard and would typically imply that the seller has relinquished the right to sell.

3. What is the next step a development company should take after creating a plat map for selling lots?

- A. Train a sales group to start selling lots.**
- B. Issue building permits and develop building codes.**
- C. Record the plat map with the county.**
- D. Request a certificate of occupancy from the county.**

Recording the plat map with the county is a crucial step in the process of selling lots. A plat map is a detailed diagram that illustrates the layout of a subdivision, showing the boundaries of individual lots, streets, and other relevant information like easements and common areas. By recording the plat map, the development company establishes the legal standing of the subdivision, allowing for proper ownership transfer and ensuring that the lots can be sold legally. This recording process not only helps in maintaining clear title to the lots but also provides public notice of the subdivision's existence and boundaries. It protects potential buyers by ensuring that the property is formally recognized within local government records, which is essential for future transactions and for accessing services like utilities. The other options, while they may be necessary steps later in the development process, do not come immediately after the creation of the plat map. For instance, training a sales group or issuing building permits pertains to activities that follow after the subdivision has been legally recorded. Similarly, requesting a certificate of occupancy is related to building structures on the lots, which occurs after the sales process and development have commenced.

4. Monuments in land surveys are primarily used to establish what?

- A. Lot size.**
- B. Variances.**
- C. Zoning rules.**
- D. Boundaries.**

Monuments in land surveys are primarily used to establish boundaries. These physical markers, which can be stones, metal rods, or other durable materials, help demarcate property lines and provide a reference point for determining the extent of a parcel of land. By using monuments, surveyors can accurately identify and record the precise location of these boundaries, which is crucial for legal purposes, property transactions, and resolving disputes over land. While lot size, variances, and zoning rules are important aspects of land use and property management, they do not directly rely on the physical monuments established during a survey. Lot size refers to the area of the property, variances are exceptions to zoning laws, and zoning rules dictate how land can be used, none of which inherently focus on the establishment of boundaries as monuments do. Monuments are foundational to understanding and defining where one property begins and another ends.

5. Under a contract for deed, when does the buyer receive legal title to the property?
- A. Full rights of possession and full legal title are received upon making the final loan payment.
 - B. Partial legal title and full rights of possession are received at closing.
 - C. Title is received as agreed to in the contract, and possession is received upon making the final loan payment.
 - D. Possession is received as agreed to in the contract, and title is received upon making the final loan payment.**

Under a contract for deed, also known as a land contract or installment sale agreement, the buyer typically receives possession of the property upon execution of the contract but does not obtain legal title until certain conditions are met, usually the final payment is made. In this case, the answer indicates that possession is granted as specified in the contract, allowing the buyer to use and occupy the property. However, legal title—meaning the legal ownership of the property—only transfers to the buyer upon making the final payment as delineated in the contract. This aligns with the fundamental nature of contracts for deed, where the seller retains legal title until the full agreed amount is paid, ensuring that the seller has a measure of security in the transaction. This system allows buyers to occupy and benefit from the property while paying for it over time, effectively functioning similarly to a loan arrangement but without transferring legal ownership until all obligations are fulfilled. Thus, the explanation supports the conclusion that title is acquired only after the final payment, emphasizing the importance of completing the payment term to gain full ownership rights.

6. A couple earning \$4,840 per month wishes to have a mortgage payment no more than 25% of their earnings. Which interest rate and term will give them a payment closest to their target?
- A. 5% over 15 years
 - B. 5.75% over 30 years
 - C. 6.25% over 20 years**
 - D. 7% over 30 years

To determine which interest rate and term will result in a mortgage payment closest to the couple's budget of 25% of their earnings, we first need to calculate that payment limit. With a monthly income of \$4,840, 25% of their earnings is \$1,210. Next, we analyze the potential mortgage payments for each choice using a mortgage payment formula or calculator, which considers the loan amount, interest rate, and loan term. The correct answer provides an interest rate of 6.25% over a term of 20 years. This option likely results in a payment that closely aligns with their target of \$1,210. Shorter loan terms typically result in higher monthly payments for the same loan amount compared to longer terms, but they also mean less interest paid over the life of the loan. Therefore, the 20-year term at this interest rate strikes a balance between payment size and total interest paid. Different options such as the 5.75% over 30 years may result in a lower monthly payment due to the longer term, but can lead to paying significantly more interest overall and might not closely match the \$1,210 target. Similarly, the 5% over 15 years would likely push the payment

7. In the context of selling real estate, what does the term "brokerage firm" refer to?

- A. A single real estate agent**
- B. A company that manages a team of agents**
- C. A property owner's individual dealings**
- D. A local real estate association**

The term "brokerage firm" refers to a company that manages a team of agents. This is a key concept in real estate, as brokerage firms serve as the organizational structure that facilitates the buying and selling of properties. They employ licensed real estate agents who work under the firm's umbrella and adhere to its policies and practices. The brokerage is responsible for providing the necessary support to its agents, such as marketing resources, administrative assistance, and access to a multiple listing service (MLS), which enhances agents' ability to serve clients effectively. In this context, the brokerage firm plays a critical role in the real estate market, acting not only as a mediator in transactions but also as a support system for agents in legal compliance, training, and ongoing professional development. By understanding this definition, one can better comprehend the role of real estate professionals in the wider industry and the importance of brokerage firms in facilitating real estate transactions.

8. Name an essential skill a successful broker must possess.

- A. Technical expertise in risk assessment**
- B. Effective communication skills**
- C. Advanced knowledge of financial markets**
- D. Ability to manage a team**

Effective communication skills are a cornerstone of success for a broker. This skill enables brokers to clearly convey complex information about products and services to clients, ensuring that clients understand their options and the implications of their choices. It also facilitates building strong relationships with clients, leading to trust and loyalty, which are vital in a competitive market. In the realm of brokerage, effective communication extends beyond client interactions; it also plays a crucial role in collaboration with colleagues, stakeholders, and other professionals in the industry. A broker adept in communication can negotiate better terms, present ideas clearly, and ultimately drive sales and client satisfaction. While other skills, such as technical expertise in risk assessment, advanced knowledge of financial markets, and team management, are certainly valuable attributes for a broker, without the ability to communicate effectively, the broker may struggle to articulate their knowledge and advocate for their clients' best interests. Thus, effective communication stands out as an essential skill necessary for thriving in the brokerage profession.

9. What does “PandC” refer to in the insurance industry?

- A. Property and Casualty insurance**
- B. Personal and Commercial insurance**
- C. Public and Corporate insurance**
- D. Protected and Comprehensive insurance**

In the insurance industry, "PandC" refers to Property and Casualty insurance. This term encompasses a broad category of policies that provide coverage for property, such as homes and vehicles, along with liability coverage that protects against legal claims from injuries or damages to other people or their properties. Property insurance includes protection against risks such as theft, fire, and natural disasters, covering both personal and business assets. Casualty insurance, on the other hand, typically includes liability coverage which protects policyholders from legal responsibilities arising from injuries or damages they may cause. Together, Property and Casualty insurance represents a significant portion of the insurance market, addressing both personal and commercial needs for risk management. Understanding this terminology is essential for anyone involved in the insurance sector, as it forms the foundation of many insurance products and policies that individuals and businesses utilize to safeguard their assets and mitigate risks.

10. What should a broker do if a seller expresses a strong willingness to sell their property?

- A. Advertise the seller as motivated without permission**
- B. Lower the listing price to attract buyers**
- C. Disclose the seller's motivation to potential buyers**
- D. Remain silent until given written permission by the seller**

When a seller shows a strong willingness to sell their property, the broker's primary responsibility is to respect the seller's privacy and confidentiality until explicit consent is granted. Remaining silent and not disclosing the seller's motivation ensures that the broker adheres to ethical obligations and legal requirements regarding the handling of sensitive information. The seller's willingness to sell does not automatically mean that they want that information shared—it is crucial for the broker to obtain written permission before discussing such details with potential buyers. This approach maintains the trust and relationship between the broker and the seller, while also safeguarding the seller's interests in the transaction. In contrast, advertising the seller as motivated without permission could harm the seller's position and violate confidentiality agreements. Lowering the listing price to attract buyers could be premature without further discussion with the seller regarding their motivations and intentions. Disclosing the seller's motivation without their permission may not only breach confidentiality but could also lead to conflicts or misunderstandings during negotiations.

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!