

National Real Estate Practice Exam Sample Study Guide



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SAMPLE

Questions

- 1. Which entity typically conducts an appraisal on a property?**
 - A. Real estate agent**
 - B. Independent appraiser**
 - C. Title company**
 - D. Lender's representative**
- 2. What does the term "zoning" generally refer to?**
 - A. A type of property management**
 - B. Land-use regulations set by local government**
 - C. A financing option for developers**
 - D. The evaluation of property values**
- 3. Who is identified as the landlord in a lease agreement?**
 - A. Lessee**
 - B. Vendee**
 - C. Lessor**
 - D. Grantee**
- 4. For a mortgage note to be valid, it must be:**
 - A. A negotiable instrument**
 - B. Signed by the mortgagor**
 - C. Signed by the mortgagee**
 - D. Recorded to be valid**
- 5. What is the purpose of title insurance in a real estate transaction?**
 - A. To reduce the cost of closing**
 - B. To protect against defects in the title**
 - C. To expedite the recording process**
 - D. To guarantee property values**
- 6. What type of contract contains one promise given in exchange for completing an act?**
 - A. Unilateral Contract**
 - B. Bilateral Contract**
 - C. Management-Level License**
 - D. Novation**

- 7. In real estate, what is redlining?**
- A. Encouraging residents to abandon properties in declining neighborhoods**
 - B. Denying loans in certain areas based on demographic factors**
 - C. Pricing homes in high-demand areas significantly lower**
 - D. Providing loans with excessively high interest rates**
- 8. What must be true for a person to claim adverse possession of a property?**
- A. The possession must be secret**
 - B. The possession must be open and notorious**
 - C. The possession must be within a lease agreement**
 - D. The possession must avoid interference**
- 9. Who typically acts as the lender in a mortgage transaction?**
- A. Vendee**
 - B. Mortgagor**
 - C. Mortgagee**
 - D. Grantor**
- 10. What does the acronym RESPA stand for?**
- A. Real Estate Settlement Procedures Act**
 - B. Regulation of Escrow Services and Practices Act**
 - C. Real Estate Service Provider Agency**
 - D. Real Estate Sales Price Assessment**

Answers

SAMPLE

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

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Explanations

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1. Which entity typically conducts an appraisal on a property?

- A. Real estate agent
- B. Independent appraiser**
- C. Title company
- D. Lender's representative

An independent appraiser is typically the entity that conducts a property appraisal. This professional is trained and certified to provide an unbiased opinion of a property's value based on various criteria, including the property's condition, location, and recent sales of comparable properties. This helps to ensure a fair market value is established, which is crucial for various transactions such as sales, refinancing, and tax assessments. Independent appraisers are objective third parties who do not have a vested interest in the sale or purchase of the property, thus ensuring that their assessment is impartial and based solely on market data and appraisal techniques. They utilize standardized methodologies and can provide appraisals for different purposes, including residential and commercial properties. In contrast, a real estate agent is typically focused on facilitating the sale or purchase of properties rather than performing appraisals. A title company primarily deals with the legal aspects of property ownership and transferring titles, not property valuation. A lender's representative may conduct a preliminary assessment of a property's worth but would rely on a qualified independent appraiser to obtain an official appraisal report for lending purposes. Thus, the role of the independent appraiser is both crucial and specialized in the real estate process.

2. What does the term "zoning" generally refer to?

- A. A type of property management
- B. Land-use regulations set by local government**
- C. A financing option for developers
- D. The evaluation of property values

The term "zoning" primarily refers to land-use regulations set by local governments. Zoning laws determine how land in specific regions can be used, which can include designations for residential, commercial, industrial, or agricultural purposes. These regulations are designed to ensure the orderly development of communities and to prevent conflicts between different types of land uses. For example, a zoning ordinance might specify that an area is designated for residential housing only, prohibiting commercial businesses from setting up in that area. This helps maintain the character of neighborhoods and controls population density, traffic patterns, and public interests. Local government zoning boards are typically responsible for implementing and enforcing these regulations, allowing communities to guide development to meet their needs and preferences. In contrast, the other options involve different aspects of real estate or property management. Property management pertains to overseeing rental properties, financing options relate to how developers fund their projects, and the evaluation of property values focuses on appraisals or market analyses. Each of these concepts plays a significant role in the real estate industry, but they do not capture the essence of zoning in the context of land regulation.

3. Who is identified as the landlord in a lease agreement?

- A. Lessee
- B. Vendee
- C. Lessor**
- D. Grantee

In a lease agreement, the landlord is identified as the lessor. The term "lessor" refers to the party that grants the lease to another person, allowing them to occupy and use the property for a specified period in exchange for payment, typically rent. The lessor retains ownership of the property while providing the lessee (the tenant) the right to use it under the terms of the lease. This distinction is important, as understanding the roles within a lease agreement helps clarify the rights and responsibilities of each party involved. The lessor is responsible for maintaining the property and ensuring it is suitable for the lessee's use, whereas the lessee is obligated to pay rent and adhere to any conditions stated within the lease. Other terms such as "vendee" and "grantee" refer to different contexts in real estate, such as in sales transactions or in the transfer of ownership, which do not apply to the landlord-tenant relationship defined by a lease.

4. For a mortgage note to be valid, it must be:

- A. A negotiable instrument
- B. Signed by the mortgagor**
- C. Signed by the mortgagee
- D. Recorded to be valid

A mortgage note must be signed by the mortgagor to be considered valid. The mortgagor is the party who borrows money and pledges their property as security for the loan. The signature of the mortgagor on the note serves as evidence of their agreement to the terms of the loan, including their promise to repay the borrowed amount. This signature is crucial, as it shows that the mortgagor acknowledges their debt and is legally bound to fulfill the terms outlined in the note. While other options may seem relevant, they do not specifically address the requirement for validity. For instance, while a mortgage note can be a negotiable instrument, it is not strictly necessary for it to be classified as such, meaning it doesn't impact its validity in the context of the agreement. The mortgagee, who lends the money, does not need to sign the mortgage note for it to be valid; the mortgagor's signature is sufficient. Similarly, recording the mortgage note is related to establishing public notice and protecting the lender's interest in the property, but it is not mandatory for the note itself to be valid. Therefore, the key element for the mortgage note's validity is the signature of the mortgagor.

5. What is the purpose of title insurance in a real estate transaction?

- A. To reduce the cost of closing**
- B. To protect against defects in the title**
- C. To expedite the recording process**
- D. To guarantee property values**

The purpose of title insurance in a real estate transaction is to protect against defects in the title. This insurance provides coverage for issues that may arise relating to the property's ownership, such as liens, encumbrances, and other unforeseen claims that could affect the buyer's legal rights to the property. By securing title insurance, buyers gain peace of mind knowing that they are protected from potential legal troubles stemming from issues with the title, even those that may have existed prior to their purchase. While reducing closing costs might be a goal of some parties involved, title insurance specifically focuses on ensuring a clear title rather than cost reduction. Similarly, while the recording process is a key part of ensuring that property transfers are legally recognized, title insurance does not expedite that process; it rather operates after the title is established. Lastly, title insurance does not guarantee property values; it is aimed at safeguarding against risks associated with the title itself. Overall, the protective aspect of title insurance is crucial for anyone involved in the purchase of real estate to ensure their investment is secure.

6. What type of contract contains one promise given in exchange for completing an act?

- A. Unilateral Contract**
- B. Bilateral Contract**
- C. Management-Level License**
- D. Novation**

A unilateral contract is defined as an agreement in which one party makes a promise in exchange for the performance of a specific act by another party. In this context, the offeror commits to fulfilling their side of the agreement only if the offeree executes the requested action. This type of contract is commonly seen in scenarios such as reward offers, where one party promises to pay a reward once another party has performed a certain action, like finding a lost pet. The distinguishing feature of a unilateral contract is that only one party is bound to perform an obligation, while the other party's action is voluntary. This contrasts with bilateral contracts, where both parties exchange promises to perform certain acts, making it a mutual agreement with obligations on both sides. Understanding this distinction is crucial in real estate transactions, where different types of contracts can impact the enforcement of promises and the responsibilities of the parties involved. The other options, like management-level license and novation, do not pertain to contract types that involve promises exchanged for acts, thus reinforcing the unique nature of a unilateral contract.

7. In real estate, what is redlining?

- A. Encouraging residents to abandon properties in declining neighborhoods**
- B. Denying loans in certain areas based on demographic factors**
- C. Pricing homes in high-demand areas significantly lower**
- D. Providing loans with excessively high interest rates**

Redlining is a term that refers to the practice of denying loans or insurance to residents in certain areas based on demographic factors, particularly those related to race and ethnicity. This discriminatory practice emerged in the 1930s when federal policies categorized neighborhoods as high-risk based on the racial composition of their residents, leading lenders to refuse financing to those areas. This effectively created barriers for individuals and families trying to purchase homes or secure loans, perpetuating cycles of poverty and limiting access to housing in communities of color. Understanding the historical context of redlining is crucial, as it has been widely recognized as a form of systemic racism that has contributed to ongoing disparities in wealth and property ownership in the United States. The consequences of this practice were profound, resulting in disinvestment in certain neighborhoods and a lack of economic opportunities for their residents. The other options relate to different aspects of real estate and lending practices, but they do not accurately represent the specific definition of redlining. Encouraging abandonment in declining neighborhoods, pricing homes lower in high-demand areas, and offering loans with excessively high interest rates address separate issues in the real estate market and do not specifically describe the discriminatory lending practice that redlining encompasses.

8. What must be true for a person to claim adverse possession of a property?

- A. The possession must be secret**
- B. The possession must be open and notorious**
- C. The possession must be within a lease agreement**
- D. The possession must avoid interference**

For a person to claim adverse possession of a property, it is essential that the possession is open and notorious. This means that the occupation of the property must be visible and apparent, allowing the true owner and the public to recognize that someone is in possession of the property. This requirement helps ensure that the rightful owner is aware of the occupation, so they have an opportunity to take action to reclaim their property if desired. Adverse possession laws are designed to encourage land use and prevent properties from sitting idle. By having the possession be open and notorious, the law aims to protect the interests of property owners while balancing the rights of those who may have taken possession of a property in good faith and have established a longstanding use. Possession cannot be secret; otherwise, it would undermine the premise of the rightful property owner's ability to claim their land. Therefore, open and notorious possession is a fundamental aspect of the adverse possession claim process.

9. Who typically acts as the lender in a mortgage transaction?

- A. Vendee
- B. Mortgagor
- C. Mortgagee**
- D. Grantor

In a mortgage transaction, the mortgagee is the party that provides the funds for the loan, effectively acting as the lender. This role is typically filled by banks, credit unions, or other financial institutions that offer mortgage products to borrowers. The mortgagee holds a security interest in the property through the mortgage, which means they have the right to take possession of the property if the borrower fails to repay the loan as agreed. The other terms refer to different roles in the mortgage process. The mortgagor is the borrower who takes out the mortgage loan and gives the mortgagee a security interest in the property. The vendee generally refers to a buyer in a transaction involving a land contract or installment sale, not specifically within the mortgage lending framework. The grantor is typically the person who transfers ownership of property, which is not the focus of the mortgage lending aspect. Therefore, the clear distinction is that the mortgagee specifically acts as the lender in this context.

10. What does the acronym RESPA stand for?

- A. Real Estate Settlement Procedures Act**
- B. Regulation of Escrow Services and Practices Act
- C. Real Estate Service Provider Agency
- D. Real Estate Sales Price Assessment

The acronym RESPA stands for the Real Estate Settlement Procedures Act. This federal law, enacted in 1974, aims to ensure that consumers are informed about the nature and costs of the settlement process involved in residential real estate transactions. By requiring that borrowers receive important disclosures about the terms of their mortgage and settlement costs, RESPA helps promote transparency and protect consumers from abusive practices and hidden fees during the closing process. The other options presented do not accurately capture the scope and intent of RESPA. While they might seem relevant to real estate processes, they do not represent established legislation or definitions recognized in the realm of real estate. Understanding RESPA is crucial for anyone involved in the real estate industry, as it directly impacts the way transactions are conducted and helps maintain fairness in the market.