

Nevada Real Estate Practice Exam Sample Study Guide



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SAMPLE

Questions

- 1. To manage a homeowner's association, which of the following is NOT required?**
 - A. Community Manager Certificate**
 - B. 12 months' experience managing a common interest community**
 - C. A real estate broker license**
 - D. 60 hours of specified education**
- 2. What does "price per square foot" measure?**
 - A. The total price of a property divided by the overall square footage**
 - B. The average price of a property including only the land**
 - C. The amount of land that can be purchased for a set price**
 - D. The cost of construction per square foot of property**
- 3. Under RESPA, a lender is required to provide a borrower a:**
 - A. 3 days right to rescind**
 - B. property advertising material**
 - C. good faith estimate and HUD book**
 - D. annual percentage rate**
- 4. What is the main purpose of the real estate settlement statement?**
 - A. To negotiate price adjustments**
 - B. To outline all financial transactions for the closing**
 - C. To provide a property survey**
 - D. To represent the buyer's interests**
- 5. What is a leasehold interest?**
 - A. An ownership interest in property**
 - B. An interest in real property created by a lease agreement**
 - C. An interest that includes the right to sell the property**
 - D. An interest that grants rights to develop land**

- 6. What is the primary purpose of an easement by necessity?**
- A. To allow property access for utility maintenance**
 - B. To provide legal access to a landlocked property**
 - C. For recreational purposes**
 - D. To allow right of way across commercial lands**
- 7. A bank that requires title insurance to be obtained from a specific provider is violating which regulation?**
- A. Code of Ethics**
 - B. Federal Fair Housing Act**
 - C. Equal Credit Opportunity Act**
 - D. Real Estate Settlement Procedures Act**
- 8. What is a real estate syndicate?**
- A. A legal entity managing commercial properties**
 - B. A group of investors pooling resources to purchase real estate**
 - C. A government program for affordable housing**
 - D. A financial institution lending to real estate developers**
- 9. What is the consequence of an agent failing to disclose known defects in a property?**
- A. The agent may face legal repercussions**
 - B. The agent's actions are always considered ethical**
 - C. The transaction will automatically be invalidated**
 - D. No impact on the real estate transaction**
- 10. Which statement is true about a registered owner-developer?**
- A. Must have a real estate license**
 - B. Must complete the 90 hour pre-licensing education**
 - C. Must hire a real estate broker-salesperson as the sales manager**
 - D. Owner-developer registration is good for 2 years**

Answers

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

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Explanations

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1. To manage a homeowner's association, which of the following is NOT required?

- A. Community Manager Certificate**
- B. 12 months' experience managing a common interest community**
- C. A real estate broker license**
- D. 60 hours of specified education**

To manage a homeowner's association in Nevada, a real estate broker license is not a requirement. While various qualifications and certifications, such as a Community Manager Certificate, a specified amount of education, and experience managing a common interest community, are necessary to ensure that managers are competent in handling the complexities of homeowner associations, having a real estate broker license is not part of those specific requirements. The Community Manager Certificate helps ensure that the manager has the proper training and knowledge to oversee the operations of the association effectively. The required 12 months of experience provides practical knowledge of managing community relations and the specific administrative tasks involved. The 60 hours of specified education cover relevant topics essential for community management, such as legal regulations, financial management, and dispute resolution. In contrast, while a real estate broker license could be beneficial for understanding property transactions, it is not a necessary credential for the management of homeowner associations.

2. What does "price per square foot" measure?

- A. The total price of a property divided by the overall square footage**
- B. The average price of a property including only the land**
- C. The amount of land that can be purchased for a set price**
- D. The cost of construction per square foot of property**

"Price per square foot" is a crucial metric in real estate that helps evaluate and compare property values. It is calculated by dividing the total price of a property by its overall square footage. This measurement allows buyers and sellers to understand the relative cost of different properties based on their size. For example, if a home is listed at \$300,000 and has an area of 2,000 square feet, the price per square foot would be \$150. This figure aids in assessing whether a property is priced fairly compared to similar homes in the area, making it a valuable tool for both buyers and sellers. The other choices, while they involve aspects of real estate, do not accurately define what "price per square foot" measures. For instance, the average price of a property including only the land does not take into account the structure, and the amount of land for a set price pertains more to land value rather than overall property pricing. Additionally, cost of construction per square foot focuses specifically on building expenses rather than the market value of completed properties.

3. Under RESPA, a lender is required to provide a borrower a:

- A. 3 days right to rescind**
- B. property advertising material**
- C. good faith estimate and HUD book**
- D. annual percentage rate**

Under the Real Estate Settlement Procedures Act (RESPA), a lender is mandated to provide a borrower with a good faith estimate of settlement costs and a HUD book, which contains detailed information about settlement procedures and the costs involved. This requirement aims to ensure transparency in the borrowing process, making it clear to borrowers what costs they can expect at closing. The good faith estimate outlines important details like anticipated fees for services related to the mortgage transaction, enabling borrowers to make informed decisions and compare costs between different lenders. The HUD book, officially known as "Your Home Loan Toolkit," provides vital information regarding the loan process, helping borrowers understand their rights and the responsibilities of the lender throughout the transaction. Together, these components fulfill RESPA's objective of fostering an informed and empowered borrower. The other options present aspects related to real estate transactions but do not directly meet the specific disclosure requirements outlined in RESPA. For instance, the right to rescind typically applies to refinances under the Truth in Lending Act rather than RESPA. Advertising materials are not mandated disclosures for loan agreements, and while the annual percentage rate (APR) is essential information, it is not part of the disclosures required specifically by RESPA. Thus, the answer that accurately reflects the requirements under RESPA is the

4. What is the main purpose of the real estate settlement statement?

- A. To negotiate price adjustments**
- B. To outline all financial transactions for the closing**
- C. To provide a property survey**
- D. To represent the buyer's interests**

The real estate settlement statement, commonly referred to as the Closing Disclosure in many transactions, serves as a vital document that outlines all the financial transactions taking place at the closing of a real estate deal. Its main purpose is to provide a clear and detailed summary of all costs and fees involved in the settlement process. This includes information regarding the purchase price, loan amounts, closing costs, and other financial obligations that both the buyer and seller need to account for. By detailing these financial elements, the settlement statement ensures that all parties involved in the transaction have a comprehensive understanding of how funds are being allocated and what costs they are responsible for. This transparency helps prevent disputes over unexpected charges and allows all parties to verify that figures align with the prior agreements made during negotiations. It is a crucial tool for achieving clarity and ensuring that the closing process proceeds smoothly. The other options do not encapsulate the primary function of the settlement statement. For instance, while negotiating price adjustments may occur during earlier stages of the transaction, it is not the purpose of the settlement statement itself. Similarly, the document does not provide a property survey, nor does it specifically serve to represent the buyer's interests, though it does protect the interests of both parties by providing transparency regarding the financial aspects of the

5. What is a leasehold interest?

- A. An ownership interest in property
- B. An interest in real property created by a lease agreement**
- C. An interest that includes the right to sell the property
- D. An interest that grants rights to develop land

A leasehold interest refers specifically to the rights one possesses in a property under the terms of a lease agreement. When an individual enters into a lease, they acquire the right to use and occupy a property for a specified period, as dictated by the lease term, while the ownership still resides with the landlord or property owner. This arrangement allows the tenant to utilize the property, often under certain conditions and for agreed-upon rent, without obtaining full ownership rights. The concept of a leasehold interest is foundational in real estate, as it distinguishes the tenant's rights and privileges from those of the property owner. In contrast to ownership interests, which would include title and the ability to sell the property, a leasehold interest is temporary and does not conflate with ownership in the property itself. This definition clarifies why the other options do not accurately represent leasehold interests. An ownership interest implies full rights over a property, which does not apply to leasehold scenarios. The option regarding the right to sell the property suggests complete ownership rights, which are not part of a leasehold arrangement. Meanwhile, the notion of rights to develop land could apply in certain leasing contexts but more often refers to ownership rights rather than the specific rights encapsulated in a lease.

6. What is the primary purpose of an easement by necessity?

- A. To allow property access for utility maintenance
- B. To provide legal access to a landlocked property**
- C. For recreational purposes
- D. To allow right of way across commercial lands

The primary purpose of an easement by necessity is to provide legal access to a landlocked property. This type of easement is crucial when a parcel of land is completely surrounded by the property of others and does not have direct access to a public roadway or utility. In such cases, the owner of the landlocked property needs a legal right to cross the adjoining properties to reach a point of access, typically a public road. Easements by necessity arise out of circumstances that require access as a matter of law, thus ensuring that property use is practical and feasible. This type of easement does not cover situations related to utilities, recreational use, or routine commercial right-of-way issues but is specifically designed to remedy the legal and functional challenges that come with a lack of access to necessary roads.

7. A bank that requires title insurance to be obtained from a specific provider is violating which regulation?

- A. Code of Ethics**
- B. Federal Fair Housing Act**
- C. Equal Credit Opportunity Act**
- D. Real Estate Settlement Procedures Act**

The requirement for title insurance to be obtained from a specific provider by a bank constitutes a violation of the Real Estate Settlement Procedures Act (RESPA). RESPA is designed to ensure that consumers are informed about the costs associated with the settlement process and to eliminate abusive practices in the real estate settlement process. One of its key provisions prohibits lenders from requiring borrowers to purchase title insurance from a specific company or provider, as this can limit consumer choice and potentially lead to higher costs. By mandating a specific title insurance provider, the bank is not only violating this regulation but also potentially engaging in practices that restrict competition and harm the interests of consumers. This regulation aims to promote transparency and fairness in real estate transactions, allowing consumers the right to choose their own title insurance provider based on rates, services, and preferences, rather than being forced into a predetermined option that may not be in their best interest.

8. What is a real estate syndicate?

- A. A legal entity managing commercial properties**
- B. A group of investors pooling resources to purchase real estate**
- C. A government program for affordable housing**
- D. A financial institution lending to real estate developers**

A real estate syndicate is defined as a group of investors who come together to pool their resources to purchase and manage real estate assets. This collective investment approach allows individual investors to participate in larger real estate projects that they might not be able to afford or manage independently. In a syndicate, the investors share the risks and rewards associated with the investment, and typically, a general partner or syndicator manages the property on behalf of the investors, who are considered limited partners. This structure can facilitate diverse investment opportunities, enhance financial leverage, and provide collective expertise in the real estate market. The context of real estate syndication is crucial as it encourages partnerships among various investors, thus broadening access to broader investment portfolios. The other options detail different aspects of property management, lending, or government initiatives which do not accurately capture the collaborative investment nature of a real estate syndicate.

9. What is the consequence of an agent failing to disclose known defects in a property?

- A. The agent may face legal repercussions**
- B. The agent's actions are always considered ethical**
- C. The transaction will automatically be invalidated**
- D. No impact on the real estate transaction**

Failure to disclose known defects in a property can lead to significant legal repercussions for an agent. Real estate agents have a fiduciary duty to their clients, which includes the obligation to provide full disclosure of any material facts that could affect a buyer's decision. When defects are not disclosed, it can lead to claims of fraud, misrepresentation, or a breach of duty. This could result in lawsuits, financial penalties, or disciplinary actions from regulatory bodies, jeopardizing the agent's license and reputation. In contrast, considering the other options, the idea that the agent's actions are always ethical is inaccurate; ethics in real estate are contingent upon adherence to legal and professional standards. The transaction being automatically invalidated does not occur simply due to non-disclosure; it typically requires legal action for such a determination. Lastly, stating that there would be no impact on the transaction undermines the serious implications of undisclosed defects, especially if it affects the value or safety of the property. Therefore, acknowledging the legal responsibilities emphasizes the importance of transparency in real estate dealings.

10. Which statement is true about a registered owner-developer?

- A. Must have a real estate license**
- B. Must complete the 90 hour pre-licensing education**
- C. Must hire a real estate broker-salesperson as the sales manager**
- D. Owner-developer registration is good for 2 years**

The statement that a registered owner-developer must hire a real estate broker-salesperson as the sales manager is true because this requirement is intended to ensure that the owner-developer has professional supervision and expertise in real estate transactions. Having a qualified broker-salesperson managing sales activities helps protect consumers and ensures compliance with state real estate laws and regulations. Under Nevada law, a registered owner-developer is someone who is building and selling property and is required to follow certain guidelines to maintain their registration status. While some owner-developers may choose to manage sales themselves, the requirement to employ a licensed real estate professional ensures accountability and adherence to industry practices, safeguarding both the developer and the clients involved in transactions. The other options pertain to aspects that do not accurately reflect the specific obligations of a registered owner-developer under Nevada real estate regulations. For instance, not all registered owner-developers are mandated to possess a real estate license or complete extensive pre-licensing education, as those requirements generally apply to typical real estate agents. Similarly, the duration of owner-developer registration being good for a set period may not necessarily correlate with the need for hiring a broker-salesperson, as it relates more to the overall compliance and operational aspects of their registration.