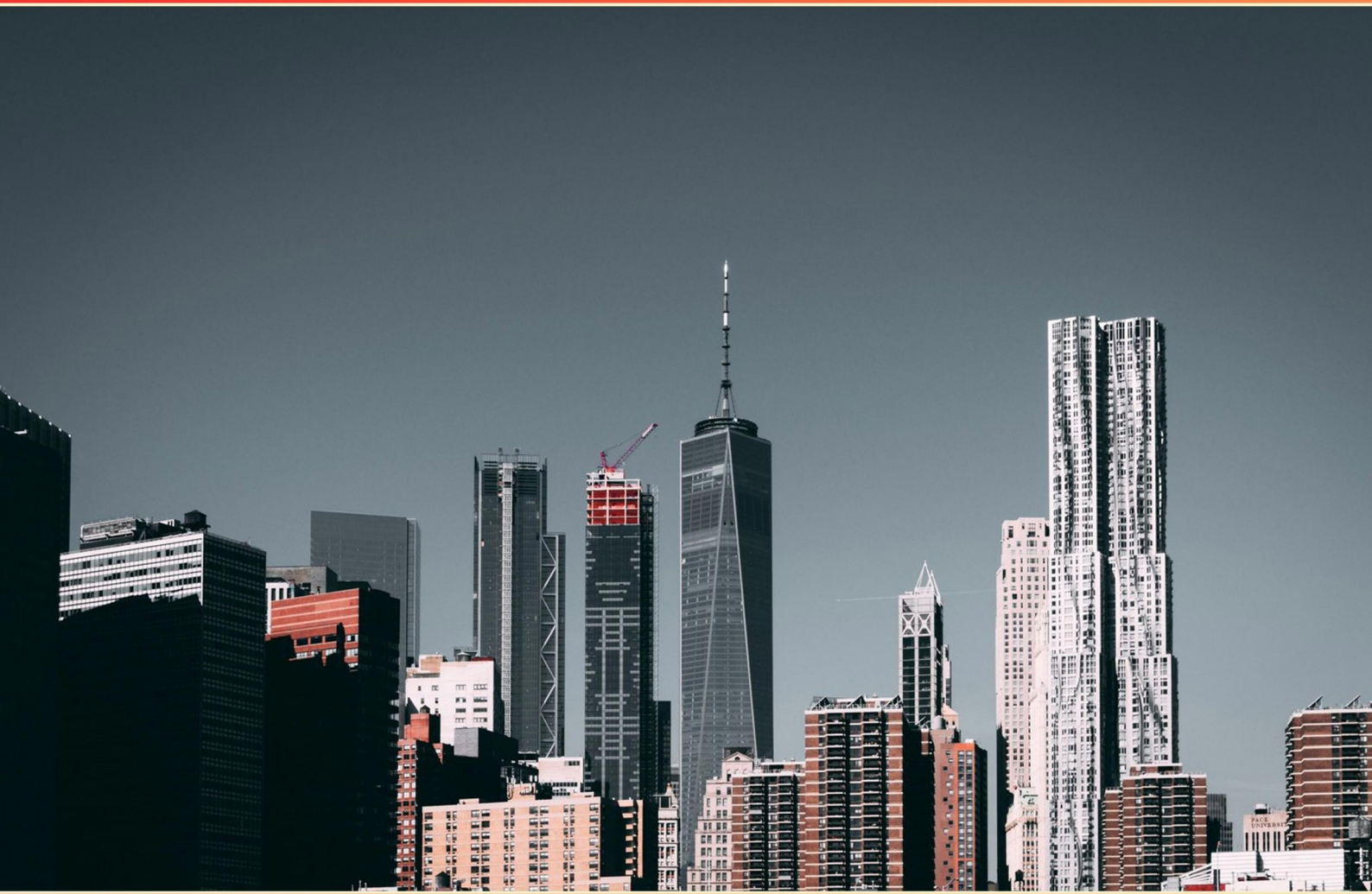


NEW YORK STATE REAL ESTATE SALESPERSON LICENSING PRACTICE EXAM (SAMPLE)

STUDY GUIDE



Prepare with structure. Pass with confidence



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Table of Contents

Copyright	1
Table of Contents	2
Introduction	3
How to Use This Guide	4
Questions	5
Answers	8
Explanations	10
Next Steps	16

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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

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- 1. Which term describes a transaction where buyers and sellers are independent and have no relationship?**
 - A. Collateral transaction
 - B. Arm's-length transaction
 - C. Conflicted transaction
 - D. Coercive transaction

- 2. What is the cash on cash return for a property valued at \$2,000,000 with a \$500,000 down payment and a monthly rental income of \$15,000?**
 - A. 30%
 - B. 36%
 - C. 25%
 - D. 40%

- 3. Which of the following describes an easement by necessity?**
 - A. An easement that benefits the dominant estate
 - B. An easement assigned by a court
 - C. An easement that is verbal
 - D. An easement that is not recorded

- 4. What is the purpose of a property appraisal?**
 - A. To determine the decoration needs of a property
 - B. To evaluate the market value of a property based on comparable sales, condition, and location
 - C. To establish rental rates for a property
 - D. To assess the tax obligations of the property

- 5. What is the name of a budget allocated for repairs and major renovations?**
 - A. Operating budget
 - B. Capital reserve budget
 - C. Annual budget
 - D. Maintenance budget

- 6. What characterizes a conventional loan?**
- A. A type of mortgage that is guaranteed by the government
 - B. A mortgage given to first-time homebuyers only
 - C. A type of mortgage that is not backed by a government agency
 - D. A loan with an interest rate that is fixed for 30 years
- 7. What fiduciary duty does the listing agent owe the seller who filed for bankruptcy but did not list their property?**
- A. Disclosure
 - B. Confidentiality
 - C. Obedience
 - D. Accountability
- 8. Which types of commercial properties commonly use percentage leases?**
- A. Office buildings
 - B. Retail stores/shopping malls
 - C. Industrial warehouses
 - D. Vacant land
- 9. Why is market value significant in real estate?**
- A. It determines the tax assessment for a property
 - B. It represents the estimated amount for which a property should sell under normal conditions
 - C. It influences mortgage lending capabilities
 - D. It reflects the value of improvements made to the property
- 10. What type of loan is specifically designed for temporary financing during real estate transactions?**
- A. Construction loan
 - B. Home equity line of credit
 - C. Bridge loan
 - D. Personal loan

Answers

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

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Explanations

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1. Which term describes a transaction where buyers and sellers are independent and have no relationship?

- A. Collateral transaction
- B. Arm's-length transaction**
- C. Conflicted transaction
- D. Coercive transaction

An arm's-length transaction is one where both buyers and sellers act independently and pursue their own interests without any relationship or influence between them. This concept is crucial in real estate as it ensures that the terms of the deal reflect fair market value and that both parties are negotiating from a position of equality. In such transactions, neither party has any undue pressure or obligation to the other, enabling a fair assessment of the property value and facilitating a transparent process. This independence helps to mitigate potential conflicts of interest and enhances the integrity of the sale. The other terms offered do not accurately capture this concept. For instance, a collateral transaction might involve additional agreements or arrangements that could affect the fairness of the deal. Similarly, a conflicted transaction could suggest that one of the parties has a personal stake that might compromise their negotiating position. Lastly, a coercive transaction implies that one party is pressuring the other, which directly contradicts the independence characteristic of arm's-length transactions.

2. What is the cash on cash return for a property valued at \$2,000,000 with a \$500,000 down payment and a monthly rental income of \$15,000?

- A. 30%
- B. 36%**
- C. 25%
- D. 40%

To determine the cash on cash return, you begin by calculating the annual cash flow from the property, followed by dividing that amount by the total cash investment (which is the down payment). First, the monthly rental income is \$15,000. To find the annual income, multiply this amount by 12: $\$15,000 \times 12 = \$180,000$. Next, since there is no mention of operating expenses, property management fees, or taxes in the question, we can assume that the full amount is net income for the purpose of this calculation. Therefore, the annual cash flow is \$180,000. The total amount of cash invested in the property is the down payment, which is \$500,000. The cash on cash return is calculated by taking the annual cash flow and dividing it by the cash investment, then multiplying by 100 to convert it to a percentage: $\text{Cash on Cash Return} = (\text{Annual Cash Flow} / \text{Cash Investment}) \times 100$. Using the numbers we have: $\text{Cash on Cash Return} = (\$180,000 / \$500,000) \times 100 = 36\%$. This calculation indicates that selecting 36% reflects the return on the cash that has been invested in the property.

Understanding

3. Which of the following describes an easement by necessity?

- A. An easement that benefits the dominant estate
- B. An easement assigned by a court**
- C. An easement that is verbal
- D. An easement that is not recorded

An easement by necessity arises when one property owner has no reasonable access to a public road or utility line, typically because their property is landlocked. In such cases, the law permits the creation of an easement to allow access to the necessary land. This type of easement is often established by a court to ensure that the property owner can access their property, thereby serving a legal and practical need. The reasoning behind this legal principle is that it promotes fairness and utility, ensuring a property isn't rendered unusable due to access issues. By being assigned through a court, it highlights the necessity that has been recognized under law. Other options, while mentioning attributes of easements, do not accurately represent the characteristics of an easement by necessity. An easement benefiting the dominant estate describes a basic feature of all easements but does not specify the important aspect of necessity. Verbal agreements regarding easements typically lack enforceability in real estate, as easements often need to be formalized in writing. Additionally, while not all easements must be recorded, an easement by necessity generally would be recorded to clarify the rights of the parties involved, avoiding potential disputes.

4. What is the purpose of a property appraisal?

- A. To determine the decoration needs of a property
- B. To evaluate the market value of a property based on comparable sales, condition, and location**
- C. To establish rental rates for a property
- D. To assess the tax obligations of the property

The purpose of a property appraisal is to evaluate the market value of a property based on comparable sales, the condition of the property, and its location. Appraisals are critical during transactions, as they provide an unbiased assessment that buyers, sellers, and lenders can rely on to make informed decisions. In determining the market value, appraisers analyze recent sales of similar properties in the area, known as "comps," as well as the unique attributes of the specific property being evaluated, such as its size, age, and condition. This comprehensive analysis ensures that the valuation reflects current market trends, helping to establish a fair price for both the buyer and the seller. Other options focus on different aspects of real estate but do not capture the primary role of an appraisal. For instance, assessing decoration needs, establishing rental rates, or evaluating tax obligations serves different purposes in the real estate process not directly linked to determining market value.

5. What is the name of a budget allocated for repairs and major renovations?

- A. Operating budget
- B. Capital reserve budget**
- C. Annual budget
- D. Maintenance budget

The capital reserve budget refers specifically to a budget that is allocated for significant repairs, renovations, and replacements of major components within a property. This type of budget is essential for long-term planning, as it ensures that sufficient funds are available to maintain the value and functionality of the property over time. This is especially important for condominium associations, cooperatives, and larger property management situations where significant expenses can arise and must be anticipated. In contrast, the operating budget generally covers ongoing costs related to the day-to-day management and operation of the property, such as utilities, maintenance, and property management fees, rather than major repairs. The annual budget typically encompasses both operating and capital reserve budgets for the year, but it does not specifically highlight the portion allocated for major repairs. The maintenance budget, while closely related to the upkeep of the property, usually focuses on routine maintenance tasks rather than the larger, one-time expenses covered by a capital reserve budget. Hence, the capital reserve budget is the most accurate option in the context of allocating funds for repairs and major renovations.

6. What characterizes a conventional loan?

- A. A type of mortgage that is guaranteed by the government
- B. A mortgage given to first-time homebuyers only
- C. A type of mortgage that is not backed by a government agency**
- D. A loan with an interest rate that is fixed for 30 years

A conventional loan is characterized as a type of mortgage that is not backed by a government agency. This means that these loans are typically offered by private lenders and financial institutions, and they are based on the borrower's creditworthiness and ability to repay the loan, rather than any government insurance or guarantee. Since conventional loans are not insured or guaranteed by federal entities such as the FHA (Federal Housing Administration), VA (Veterans Affairs), or USDA (United States Department of Agriculture), they usually require higher credit scores and down payments compared to government-backed loans. Borrowers seeking a conventional loan must demonstrate strong financial responsibility to qualify. In contrast, options that describe loans guaranteed by the government or specifically limited to first-time homebuyers do not accurately represent conventional loans. Additionally, while many conventional loans can have a fixed interest rate for 30 years, this is not a defining characteristic of all conventional loans; they can also come with variable interest rates and different term lengths. Therefore, the defining feature of a conventional loan is that it operates within the private sector without government backing.

7. What fiduciary duty does the listing agent owe the seller who filed for bankruptcy but did not list their property?

- A. Disclosure
- B. Confidentiality**
- C. Obedience
- D. Accountability

The fiduciary duty that the listing agent owes the seller, even in the context of a bankruptcy filing and without a formal listing, is confidentiality. This duty remains critical because it ensures that any personal or financial information related to the seller's situation is kept private. In real estate relationships, confidentiality means that the agent cannot disclose any information about the seller's financial condition or their decision not to list the property without permission. This is particularly important when a seller is experiencing financial distress, as any information could potentially impact their financial situation or negotiations. The other duties, such as disclosure, obedience, or accountability, would not apply in the same capacity under these circumstances. Disclosure typically relates to informing parties about material facts regarding the property, while obedience involves following the lawful instructions of the client. Accountability deals with recording and accurately managing funds or documents related to the transaction. However, in instances where the property isn't listed, the agent's responsibility to maintain confidentiality remains paramount.

8. Which types of commercial properties commonly use percentage leases?

- A. Office buildings
- B. Retail stores/shopping malls**
- C. Industrial warehouses
- D. Vacant land

Percentage leases are primarily utilized in retail environments such as stores and shopping malls due to the nature of their income generation. In a percentage lease, the tenant pays a base rent plus a percentage of their gross sales. This arrangement aligns the interests of both the landlord and the tenant; landlords benefit from the tenant's success, which can lead to increased rental income as the tenant's sales grow. This leasing method is particularly advantageous in retail settings where sales can be highly variable and are directly influenced by factors such as foot traffic and marketing strategies. In contrast, office buildings typically utilize fixed leases that don't vary based on the tenant's revenue, as rent is based on the physical space and its market value. Industrial warehouses usually have longer-term leases based on fixed rates as well, with less fluctuation in income based on the tenants' sales activities. Lastly, vacant land often involves leases based on a fixed price per square footage or a flat rate, rather than variable amounts tied to performance or sales. Thus, the most suitable context for percentage leases is indeed in retail environments like stores and shopping malls.

9. Why is market value significant in real estate?

- A. It determines the tax assessment for a property
- B. It represents the estimated amount for which a property should sell under normal conditions**
- C. It influences mortgage lending capabilities
- D. It reflects the value of improvements made to the property

Market value is significant in real estate because it represents the estimated amount for which a property should sell under normal conditions. Understanding market value helps buyers and sellers make informed decisions during transactions. It reflects what purchasers in the current market are willing to pay, considering the property's location, condition, and comparable sales. When a property is appraised, the market value serves as a benchmark that standardizes pricing based on actual market behavior, making it crucial for determining fair sales prices. This concept is also foundational in establishing a realistic expectation for sellers and offering a basis for negotiation in property transactions. While other aspects such as tax assessments, mortgage lending capabilities, and property improvements do influence real estate dynamics, the essence of market value lies in its role as the target price point for an exchange under typical market conditions. Understanding this helps ensure that agents effectively guide their clients through the buying and selling process.

10. What type of loan is specifically designed for temporary financing during real estate transactions?

- A. Construction loan
- B. Home equity line of credit
- C. Bridge loan**
- D. Personal loan

A bridge loan is specifically designed for temporary financing during real estate transactions. This type of loan is commonly used when a buyer needs to quickly access funds to purchase a new property before they are able to sell their existing property. The bridge loan essentially "bridges the gap" between the two transactions, providing the necessary cash flow to facilitate the purchase without waiting for the sale to close. In many cases, bridge loans are secured against the current property, allowing the borrower to leverage their existing equity. This makes them particularly useful in competitive real estate markets where buyers need to act quickly to secure a property. Other types of loans mentioned, such as construction loans, are intended for funding new construction projects rather than facilitating quick transactions for the purchase of existing homes. Home equity lines of credit revolve around tapping into the equity of a home but are generally not designed for immediate, short-term purchasing needs. Personal loans, while flexible, are usually not specifically tailored for real estate transactions and may not provide the necessary amount or terms suitable for such purchases.

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://nys-realestatesalesperson.examzify.com>

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

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