

North Carolina 75-Hour Broker Course Practice Test (Sample)

Study Guide



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Questions

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- 1. What is a broker's fiduciary duty?**
 - A. To act in the best interests of their client**
 - B. To maximize commission earnings**
 - C. To promote properties owned by the agency**
 - D. To conduct open houses for client properties**

- 2. An office building with 15 tenants sold for \$5 million. Estimated annual income is \$400,000. What is the GIM?**
 - A. 125x**
 - B. 1.25x**
 - C. 12.5x**
 - D. 15x**

- 3. What does "escrow" refer to in real estate?**
 - A. A method of financing a property purchase**
 - B. A financial arrangement involving a third party**
 - C. A contract between buyer and seller**
 - D. A type of insurance related to real estate**

- 4. What are liens, easements, and other claims of ownership on property considered?**
 - A. Easements**
 - B. Forgery**
 - C. Setbacks**
 - D. Title defects**

- 5. What must a broker do when a property fails to sell within the listing period?**
 - A. Increase the listing price immediately**
 - B. Discuss options with the seller**
 - C. Reduce the commission rate**
 - D. Remove the listing from the market**

- 6. Which of the following actions is prohibited by North Carolina real estate license laws?**
- A. Aggressive advertising of licensee services**
 - B. Disclosing material facts**
 - C. Making false promises**
 - D. Providing property valuation in relation to a listing**
- 7. What are the qualifications for obtaining a real estate broker license in North Carolina?**
- A. Must be a college graduate with a degree**
 - B. Must be at least 18 years old and complete high school or equivalent**
 - C. Must have 5 years of experience in real estate**
 - D. Must pass a national real estate exam**
- 8. What does "dual agency" refer to in real estate?**
- A. When a broker represents only the buyer**
 - B. When a broker represents both the buyer and seller in the same transaction**
 - C. When two brokers broker the same property**
 - D. When a broker operates in two different markets**
- 9. What does "informed consent" mean in real estate transactions?**
- A. The ability to negotiate contract terms**
 - B. The understanding and agreement of all parties involved**
 - C. A verbal agreement between buyer and seller**
 - D. An acknowledgment of the agency's commission fees**
- 10. What constitutes a "material defect" in a property?**
- A. A defect that does not affect the property's value**
 - B. A defect that could affect a buyer's decision**
 - C. A defect that can be easily repaired**
 - D. A defect related only to cosmetic changes**

Answers

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

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Explanations

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1. What is a broker's fiduciary duty?

- A. To act in the best interests of their client**
- B. To maximize commission earnings**
- C. To promote properties owned by the agency**
- D. To conduct open houses for client properties**

A broker's fiduciary duty is centered around the obligation to act in the best interests of their client. This encompasses a range of responsibilities including loyalty, confidentiality, full disclosure, obedience, reasonable care, and accounting. When a broker enters into a fiduciary relationship with a client, it means they must prioritize the client's needs and interests above their own or any other party's. This principle forms the backbone of trust in the broker-client relationship and is essential for maintaining ethical standards in the real estate profession. While maximizing commission earnings and promoting properties owned by the agency might seem important, these objectives cannot take precedence over the client's best interests. Similarly, conducting open houses is a task that can be part of a broker's services, but it does not encapsulate the essence of fiduciary responsibility. In every decision and action taken, the broker must ensure that they are upholding their duty to support and protect their client's interests.

2. An office building with 15 tenants sold for \$5 million. Estimated annual income is \$400,000. What is the GIM?

- A. 125x**
- B. 1.25x**
- C. 12.5x**
- D. 15x**

The Gross Income Multiplier (GIM) is a valuation tool that helps estimate the value of an income-producing property based on its gross income. To calculate the GIM, you divide the sale price of the property by its annual gross income. In this scenario, the office building was sold for \$5 million, and it generates an estimated annual income of \$400,000. Thus, the GIM calculation would be: $GIM = \text{Sale Price} / \text{Annual Income}$ $GIM = \$5,000,000 / \$400,000$ $GIM = 12.5$ This shows that for every dollar of annual income, the property is valued at 12.5 times that amount, hence indicating a GIM of 12.5 times. Therefore, the chosen answer reflects the correct calculation and understanding of the GIM concept in real estate valuation. Understanding the significance of this figure can help buyers and real estate professionals assess property investments effectively.

3. What does "escrow" refer to in real estate?

- A. A method of financing a property purchase
- B. A financial arrangement involving a third party**
- C. A contract between buyer and seller
- D. A type of insurance related to real estate

In real estate, "escrow" refers to a financial arrangement involving a third party that holds funds or documents on behalf of the buyer and seller until certain conditions are met. This arrangement helps ensure that both parties fulfill their obligations in the transaction, adding a layer of security and trust. For instance, the buyer deposits their earnest money into an escrow account, where it is securely held until the completion of the sale. Once the sale terms are satisfied, the funds are released to the seller, reinforcing the idea that escrow provides a neutral space for managing funds related to the transaction. This process protects the interests of all involved, ensuring that no party has full control over the funds or documents until both sides have upheld their commitments. Understanding the role of escrow can help real estate professionals navigate transactions smoothly, providing reassurance to clients that their investments are handled securely.

4. What are liens, easements, and other claims of ownership on property considered?

- A. Easements
- B. Forgery
- C. Setbacks
- D. Title defects**

Liens, easements, and other claims of ownership on property are classified as title defects because they represent encumbrances or limitations on the ownership rights of a property. A title defect refers to any issue that clouds the title of a property, which could impair the owner's ability to transfer clear title. Liens are legal claims against a property due to unpaid debts and can affect the transferability of the property until they are resolved. Easements give other parties the right to use a portion of the property for specific purposes, which can restrict the owner's use of that area. Other claims of ownership, such as unresolved disputes or unclear property lines, can also create defects in the title that could complicate future sales or financing. Understanding that these elements impact the ownership and marketability of the property is crucial for real estate professionals, as they must be aware of any possible defects in a title before a transaction is completed. Hence, the correct classification of these issues as title defects reflects their nature and the potential issues they can create in real estate dealings.

5. What must a broker do when a property fails to sell within the listing period?

- A. Increase the listing price immediately**
- B. Discuss options with the seller**
- C. Reduce the commission rate**
- D. Remove the listing from the market**

When a property does not sell within the listing period, the most appropriate action for a broker is to discuss options with the seller. This conversation is crucial because it allows the broker to understand the seller's perspective, priorities, and any concerns they may have about the listing. By discussing options, the broker can provide professional insight and recommendations on potential strategies moving forward, which may include adjusting the listing price, enhancing marketing efforts, or even addressing any necessary repairs or improvements to the property. This collaborative approach ensures that the seller feels involved in the decision-making process and that the broker is acting in their best interest. Engaging in a dialogue can also help clarify whether the property should remain on the market, if it needs a new marketing strategy, or if the seller is prepared to take different actions, such as relisting with another agent or taking a break from the market. Overall, this decision-making process is informed by the broker's expertise and the seller's goals, fostering a productive partnership.

6. Which of the following actions is prohibited by North Carolina real estate license laws?

- A. Aggressive advertising of licensee services**
- B. Disclosing material facts**
- C. Making false promises**
- D. Providing property valuation in relation to a listing**

Making false promises is prohibited by North Carolina real estate license laws because it undermines the integrity of the real estate profession and can deceive consumers. The laws are designed to protect the public by ensuring that real estate professionals act honestly and transparently. False promises can lead to misinformation regarding property values, services, or outcomes, which could mislead clients and harm their financial or personal interests. In contrast, aggressive advertising of licensee services is permissible as long as it complies with ethical standards and regulations. Disclosing material facts is also vital in real estate transactions, as licensees are required to inform clients about relevant information that could impact their decisions. Similarly, providing property valuation in relation to a listing is a standard practice, as long as the valuation is based on sound judgment and fair market analysis rather than deceptive practices.

7. What are the qualifications for obtaining a real estate broker license in North Carolina?

- A. Must be a college graduate with a degree**
- B. Must be at least 18 years old and complete high school or equivalent**
- C. Must have 5 years of experience in real estate**
- D. Must pass a national real estate exam**

To qualify for a real estate broker license in North Carolina, an individual must be at least 18 years old and have completed high school or an equivalent education. This requirement ensures that applicants have reached a level of maturity and educational background that is considered essential for understanding the complexities and responsibilities involved in real estate transactions. Meeting these educational qualifications is foundational before one can proceed to the next steps in the licensing process, which may include pre-licensing education, passing an exam, and undergoing additional training. This framework is designed to protect both the public and the integrity of the real estate profession. The other options do not reflect the specific requirements set forth by the North Carolina Real Estate Commission. While having a college degree or years of experience may be advantageous in the field, they are not prerequisites for obtaining a broker license. Similarly, passing the national real estate exam is important, but it comes after meeting the age and educational qualifications.

8. What does "dual agency" refer to in real estate?

- A. When a broker represents only the buyer**
- B. When a broker represents both the buyer and seller in the same transaction**
- C. When two brokers broker the same property**
- D. When a broker operates in two different markets**

The concept of "dual agency" in real estate specifically refers to a situation where a single broker represents both the buyer and the seller in the same transaction. This arrangement can create a unique dynamic, as the broker must navigate the interests of both parties concurrently. It's essential for the broker to maintain transparency and fairness, ensuring that both the buyer and seller understand the implications of this arrangement. In states like North Carolina, if dual agency occurs, brokers are typically required to disclose this status to both parties and obtain their informed consent. This means that both the buyer and seller need to agree to the dual agency relationship, acknowledging that the broker will not provide exclusive loyalty to either party. The other scenarios outlined do not encapsulate the essence of dual agency. For instance, representation of only the buyer does not involve the seller, making it a singular agency situation. The involvement of two brokers on the same property refers to co-brokerage or sub-agency arrangements, which are distinct from dual agency. Operating in different markets pertains to geographic aspects of a broker's work and does not directly relate to the representation of clients within a specific transaction. Therefore, dual agency is uniquely defined by the representation of both the buyer and seller by the same broker within one transaction, necess

9. What does "informed consent" mean in real estate transactions?

- A. The ability to negotiate contract terms**
- B. The understanding and agreement of all parties involved**
- C. A verbal agreement between buyer and seller**
- D. An acknowledgment of the agency's commission fees**

Informed consent in real estate transactions refers to the understanding and agreement of all parties involved regarding the terms, conditions, and implications of the transaction. This concept ensures that all parties have a clear understanding of what they are agreeing to, which is crucial for maintaining transparency and protecting the interests of everyone involved. When parties provide informed consent, they are not only aware of the terms of the contract but also comprehend the consequences of those terms, including any potential risks associated with the transaction. This is an essential aspect of the fiduciary duty that real estate professionals owe their clients, as it fosters trust and enables informed decision-making. While ability to negotiate contract terms, verbal agreements, and acknowledgment of agency commission fees may be relevant in real estate transactions, they do not encompass the broader concept of informed consent. Informed consent specifically highlights the necessity for parties to fully understand and mutually agree to all facets of the transaction, ensuring that they are acting in an informed and voluntary manner.

10. What constitutes a "material defect" in a property?

- A. A defect that does not affect the property's value**
- B. A defect that could affect a buyer's decision**
- C. A defect that can be easily repaired**
- D. A defect related only to cosmetic changes**

A "material defect" in a property is defined as something that could significantly affect a buyer's decision to purchase the property. This includes defects that may impact the safety, habitability, or overall value of the property. For example, issues such as a leaky roof, foundation problems, or plumbing issues are considered material defects because they directly affect how the buyer perceives the property and its worth. While the other options touch on elements of property defects, they don't encompass the broader implications of what makes a defect "material." A defect that does not affect the property's value wouldn't be considered material because it wouldn't impact the buyer's assessment. Conversely, a defect that can be easily repaired, or one that pertains only to cosmetic changes, may not significantly influence the buyer's overall decision. Material defects go beyond minor issues to involve serious concerns that require attention and could alter the desirability or usability of the property.