

# North Carolina 75-Hour Broker Course Practice Test (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**

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- 1. What information is required in a seller's disclosure statement?**
  - A. Exclusive rights to the property**
  - B. Exclusive listing agreements with the broker**
  - C. Known material defects and issues regarding the property**
  - D. The history of prior ownership**
  
- 2. What is the minimum number of hours needed for continuing education annually for brokers in North Carolina?**
  - A. 4 hours**
  - B. 8 hours**
  - C. 10 hours**
  - D. 12 hours**
  
- 3. Which governing body in North Carolina is focused specifically on home inspectors?**
  - A. The North Carolina Housing Authority**
  - B. The North Carolina Building Code Council**
  - C. The North Carolina Home Inspector Licensure Board**
  - D. The North Carolina Land Use Commission**
  
- 4. Your client's property realizes an annual net income of \$24,000. Its value is \$300,000. What is its capitalization rate?**
  - A. 10%**
  - B. 11.5%**
  - C. 6%**
  - D. 8%**
  
- 5. 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**

**6. What financial activity does amortization specifically refer to?**

- A. Securing a loan**
- B. Paying off debt over time**
- C. Purchasing real estate**
- D. Calculating interest rates**

**7. What is the purpose of an option agreement in real estate?**

- A. To outline the responsibilities of property management**
- B. To grant a buyer the right to purchase a property**
- C. To define the length of a lease**
- D. To negotiate repair responsibilities**

**8. What does the term "equity" represent in real estate?**

- A. The amount of cash buyer has paid**
- B. The market value of the property**
- C. The difference between the property's market value and the amount owed on any debts**
- D. The value of improvements made to the property**

**9. What three types of damage does basic homeowners insurance cover?**

- A. Earthquake, plumbing, structure**
- B. Flooding, earthquake, fire**
- C. Structure, belongings, liability**
- D. Structure, earthquake, fire**

**10. What is a "covenant" in the context of property?**

- A. A type of mortgage agreement**
- B. A legally binding promise in a deed or lease**
- C. A suggestion for property improvements**
- D. A requirement for property inspections**

## **Answers**

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

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## **Explanations**

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## 1. What information is required in a seller's disclosure statement?

- A. Exclusive rights to the property**
- B. Exclusive listing agreements with the broker**
- C. Known material defects and issues regarding the property**
- D. The history of prior ownership**

The seller's disclosure statement is a vital document in real estate transactions, designed to inform potential buyers about the condition of the property. The correct choice highlights that sellers are required to disclose any known material defects and issues regarding the property. This obligation ensures transparency and allows buyers to make informed decisions. For example, if there are problems such as plumbing issues, roof leaks, or pest infestations, it is the seller's responsibility to declare these issues upfront. The disclosure statement serves to protect both parties in the transaction, as it helps prevent disputes over undisclosed problems after the sale. The other options do not pertain to the specific information required in a seller's disclosure statement. For instance, exclusive rights to the property and exclusive listing agreements are related to the contractual relationship between the seller and the broker rather than disclosures about the property itself. Similarly, while the history of prior ownership might be of interest to buyers, it is not mandated to be part of the disclosure statement as it doesn't directly inform buyers about the current condition or material issues of the property being sold.

## 2. What is the minimum number of hours needed for continuing education annually for brokers in North Carolina?

- A. 4 hours**
- B. 8 hours**
- C. 10 hours**
- D. 12 hours**

To maintain an active real estate license in North Carolina, brokers are required to complete a minimum of 8 hours of continuing education each year. This requirement is set forth to ensure that licensed professionals remain knowledgeable about the latest developments in real estate laws, regulations, and best practices. The continuing education courses typically cover a range of topics, including changes in state and federal laws, industry trends, ethics, and practical skills necessary for effective real estate practice. By requiring brokers to engage in continuous learning, the state aims to enhance the professionalism and competency of its real estate workforce, ultimately benefiting consumers and the industry as a whole. Other options, although they may seem plausible, do not meet the established minimum requirement outlined by the North Carolina Real Estate Commission, reinforcing that the 8-hour requirement is essential for all active brokers.

**3. Which governing body in North Carolina is focused specifically on home inspectors?**

- A. The North Carolina Housing Authority**
- B. The North Carolina Building Code Council**
- C. The North Carolina Home Inspector Licensure Board**
- D. The North Carolina Land Use Commission**

The North Carolina Home Inspector Licensure Board is the governing body specifically focused on the regulation and oversight of home inspectors within the state. This board is responsible for ensuring that home inspectors meet certain standards of education and competency to provide quality inspections of residential properties. Their duties include issuing licenses to qualified individuals, establishing rules and regulations for the profession, and handling complaints regarding home inspection practices.

Understanding the role of this board is essential for anyone involved in the real estate industry in North Carolina, as it ensures a level of professionalism and accountability among home inspectors. The other organizations listed have different responsibilities: for example, the North Carolina Housing Authority deals with affordable housing initiatives, while the North Carolina Building Code Council focuses on building code regulations. The North Carolina Land Use Commission is concerned with land use planning and policy rather than the licensing and regulation of home inspectors. This distinction highlights the specific role of the Home Inspector Licensure Board in maintaining standards within the field of home inspections in North Carolina.

**4. Your client's property realizes an annual net income of \$24,000. Its value is \$300,000. What is its capitalization rate?**

- A. 10%**
- B. 11.5%**
- C. 6%**
- D. 8%**

To find the capitalization rate, you divide the annual net income by the property's value. The capitalization rate, often expressed as a percentage, helps investors assess the potential return on investment for income-generating properties. In this case, the annual net income is \$24,000 and the property value is \$300,000. The calculation would be as follows: 1. Capitalization Rate = Annual Net Income / Property Value 2.

Capitalization Rate =  $\$24,000 / \$300,000$  3. Capitalization Rate = 0.08 or 8% Therefore, the capitalization rate is 8%. This value indicates that for each dollar invested in the property, the investor can expect to earn 8 cents in net income annually. Understanding this concept is vital for evaluating investment opportunities, as a higher capitalization rate may suggest a higher risk or a better return potential, depending on market conditions.

**5. 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:  $\text{GIM} = \text{Sale Price} / \text{Annual Income}$   $\text{GIM} = \$5,000,000 / \$400,000$   $\text{GIM} = 12.5$  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.

**6. What financial activity does amortization specifically refer to?**

- A. Securing a loan**
- B. Paying off debt over time**
- C. Purchasing real estate**
- D. Calculating interest rates**

Amortization specifically refers to the process of paying off a debt over time through scheduled, recurring payments. In the context of loans, particularly mortgages, amortization involves breaking down each payment into portions that go towards both the principal (the original loan amount) and the interest (the cost of borrowing). Over time, as the borrower makes regular payments according to the amortization schedule, the outstanding balance of the loan decreases until it is paid off in full. This concept is essential for borrowers to understand, as it affects how much interest they ultimately pay over the life of the loan, and it helps them plan their finances accordingly. Amortization schedules provide clarity on how much of each payment contributes to reducing the principal versus covering interest, which can impact decisions such as refinancing or paying extra towards the principal for faster debt relief. In contrast, securing a loan involves obtaining the funds, purchasing real estate refers to the acquisition of property itself, and calculating interest rates relates to determining the cost of borrowing rather than the process of paying down existing loans.

## 7. What is the purpose of an option agreement in real estate?

- A. To outline the responsibilities of property management
- B. To grant a buyer the right to purchase a property**
- C. To define the length of a lease
- D. To negotiate repair responsibilities

The purpose of an option agreement in real estate is to grant a buyer the right to purchase a property at a predetermined price within a specified period. This agreement provides the buyer with the flexibility to decide whether to proceed with the purchase while securing the property for a certain duration. It benefits buyers who wish to take time to secure financing, conduct due diligence, or assess the market conditions before committing to the purchase. This strategic tool can create opportunities for buyers by locking in terms even before the actual sale takes place. Other options listed relate to different aspects of real estate transactions and management, but they do not describe the specific function of an option agreement.

## 8. What does the term "equity" represent in real estate?

- A. The amount of cash buyer has paid
- B. The market value of the property
- C. The difference between the property's market value and the amount owed on any debts**
- D. The value of improvements made to the property

The term "equity" in real estate refers specifically to the difference between the market value of the property and the total amount owed on any debts secured by the property, such as mortgages or liens. This concept is critical for understanding a homeowner's financial stake in their property. For instance, if a property has a market value of \$300,000 and the homeowner owes \$200,000 on their mortgage, the equity in that property would be calculated as \$300,000 minus \$200,000, resulting in \$100,000 of equity. This figure represents the owner's stake in the property and can be seen as a form of wealth that can be accessed through refinancing or selling the home. Other choices do not accurately capture the essence of equity. The amount of cash a buyer has paid does not necessarily reflect their total equity, as it does not consider the total debts secured by the property. The market value of the property alone does not indicate equity without including the debts. Lastly, while improvements made to the property can increase its market value, they do not directly define equity unless they influence the overall market value relative to the debt owed.

## 9. What three types of damage does basic homeowners insurance cover?

- A. Earthquake, plumbing, structure
- B. Flooding, earthquake, fire
- C. Structure, belongings, liability**
- D. Structure, earthquake, fire

Basic homeowners insurance typically covers three primary types of damage, which include structure, belongings, and liability. Structural damage refers to the physical structure of the home itself, such as walls, roofs, and foundations. Homeowners insurance provides coverage against risks like fire, vandalism, and certain natural disasters, ensuring that repairs or rebuilding can be undertaken if necessary.

Belongings, or personal property coverage, protects the contents within the home, including furniture, electronics, and personal items, from similar risks. This part of the insurance allows homeowners to recover financial losses if personal possessions are damaged or destroyed. Liability coverage is a critical aspect that protects homeowners from claims made by third parties for bodily injury or property damage that occurs on their property. This can cover legal fees, settlements, or medical expenses that arise from such incidents, providing essential financial protection. The other choices include risks like earthquakes and flooding, which typically require separate policies or endorsements in many standard homeowners insurance packages, hence why they are not included in the basic coverage offered by homeowners insurance.

## 10. What is a "covenant" in the context of property?

- A. A type of mortgage agreement
- B. A legally binding promise in a deed or lease**
- C. A suggestion for property improvements
- D. A requirement for property inspections

A covenant in the context of property refers to a legally binding promise found in a deed or lease. This promise typically stipulates certain actions that either the property owner or the tenant must perform, or it may restrict certain actions that could be taken concerning the property. Covenants are used to control how property is used and can cover a wide range of issues, including maintenance responsibilities, limitations on building structures, or the types of activities allowed on the property. This definition highlights the role of covenants in property law, where they serve to protect the interests of one party and ensure compliance with agreed-upon terms within the property agreement. Because this promise is enforceable by law, it creates obligations that can have significant implications for property owners and tenants. Understanding the concept of covenants is essential for real estate professionals, as they can affect property values and the rights of individuals involved in property transactions.

# 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](mailto:hello@examzify.com).**

**Or visit your dedicated course page for more study tools and resources:**

**<https://nc75hrbroker.examzify.com>**

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

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