

North Carolina Broker Reciprocal Practice Exam (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. Which financing option prevents a person from securing a second trust deed using their home as collateral?**
 - A. Conventional Financing**
 - B. FHA Financing**
 - C. Cal-Vet Financing**
 - D. VA Financing**
- 2. If a loan is in a subordinate lien position to the first loan on a property, what is it called?**
 - A. Second mortgage**
 - B. Junior lien**
 - C. Adjustable mortgage**
 - D. Conventional loan**
- 3. What is the purpose of an impound account in a real estate transaction?**
 - A. To collect insurance fees**
 - B. To manage property repairs**
 - C. To hold funds for taxes and insurance payments**
 - D. To escrow closing costs**
- 4. What type of agent acts on behalf of the principal in a limited capacity, focusing on specific tasks?**
 - A. Universal Agent**
 - B. General Agent**
 - C. Special Agent**
 - D. Designated Agent**
- 5. Which term is best associated with the lender-borrower relationship?**
 - A. Grantor - Grantee**
 - B. Mortgagee - Mortgagor**
 - C. Beneficiary - Trustee**
 - D. Lessee - Lessor**

6. Who records a Declaration of Restrictions in a condo project?

- A. The local government**
- B. The project owner**
- C. The tenants of the project**
- D. The condo association**

7. What effect does Ann's marriage have when she sells the property under her married name?

- A. It enhances the title security**
- B. It creates a cloud on the title**
- C. It has no effect on the title**
- D. It invalidates the sale**

8. When a homeowner takes out a second mortgage, what type of financial arrangement is it typically classified as?

- A. Equity Line of Credit**
- B. Credit Card Loan**
- C. Personal Loan**
- D. Home Equity Loan**

9. Who is permitted to use the county recorder's office and public records without the presence of the recorder's officer?

- A. Only licensed real estate agents**
- B. Government officials only**
- C. Anyone, as it is open to the public**
- D. Only property owners**

10. What is one primary purpose of a conditional use permit in zoning regulations?

- A. To prevent development**
- B. To allow specific exceptions to zoning laws**
- C. To simplify zoning processes**
- D. To enhance property values**

Answers

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

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Explanations

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1. Which financing option prevents a person from securing a second trust deed using their home as collateral?

- A. Conventional Financing**
- B. FHA Financing**
- C. Cal-Vet Financing**
- D. VA Financing**

The correct answer is Cal-Vet Financing. This type of financing is specifically designed to help military veterans and their families secure home loans, particularly in California. One of the distinguishing features of Cal-Vet Financing is that it restricts the borrower from taking out a second trust deed on the property, which means that the home cannot be used as collateral for additional borrowing while it is under this type of financing. This provision is in place to protect the integrity of the initial loan and ensure that the veteran does not over-leverage their property. Other financing options, such as conventional, FHA, and VA financing, generally allow homeowners the flexibility to secure additional loans using their home as collateral, as long as they meet the necessary requirements set forth by the lenders. This ability to obtain multiple loans against the equity of a home can provide homeowners with various financing opportunities, which is not applicable under Cal-Vet Financing.

2. If a loan is in a subordinate lien position to the first loan on a property, what is it called?

- A. Second mortgage**
- B. Junior lien**
- C. Adjustable mortgage**
- D. Conventional loan**

When a loan holds a subordinate lien position to a first loan on a property, it is referred to as a second mortgage. This type of mortgage is created when a borrower takes out an additional loan against the same property, securing it with the equity that has built up through the first mortgage. The term "second mortgage" highlights that it comes after the first loan in terms of claim priority; in the event of foreclosure, the first mortgage lender is entitled to repayment before the second mortgage lender. In essence, a second mortgage can enable the borrower to access additional funds based on the existing equity of their home but involves additional risk since it is in a subordinate position. This designation also affects how lenders view the risk of the loan, as the second mortgage lender will face potential losses should the property be sold to satisfy the first mortgage. Understanding the hierarchy of liens, such as the distinction between a first and second mortgage, is essential for real estate professionals and those involved in lending practices.

3. What is the purpose of an impound account in a real estate transaction?

- A. To collect insurance fees**
- B. To manage property repairs**
- C. To hold funds for taxes and insurance payments**
- D. To escrow closing costs**

An impound account is specifically designed to hold funds for taxes and insurance payments related to the property. When a borrower takes out a mortgage, lenders often require the borrower to make monthly payments for property taxes and homeowners insurance, which are then held in this account. This arrangement ensures that these important payments are made on time, reducing the risk of unpaid taxes or lapsed insurance coverage, thus protecting both the lender's and the borrower's interests. The proper management of these funds helps facilitate a smooth real estate transaction by taking one more item off the homeowner's to-do list, providing peace of mind. This is a common practice in real estate financing, ensuring that these recurring costs are anticipated and collected regularly as part of the overall mortgage payment.

4. What type of agent acts on behalf of the principal in a limited capacity, focusing on specific tasks?

- A. Universal Agent**
- B. General Agent**
- C. Special Agent**
- D. Designated Agent**

A special agent acts on behalf of the principal in a limited capacity, typically focusing on specific tasks or transactions. This role is characterized by the fact that the special agent is given authority to perform a particular activity, such as selling a property, and does not have broad powers that encompass a variety of actions or decisions. This limitation of authority is essential to differentiate special agents from other types of agents. In contrast, a universal agent has the authority to act on behalf of the principal in almost all matters, a general agent represents the principal in a broad range of activities related to a particular business or enterprise, and a designated agent is someone assigned by a broker to represent a client in a specific transaction. These roles signify varying degrees of authority and scope of responsibilities, highlighting why the special agent's limited focus sets it apart and makes it the correct answer.

5. Which term is best associated with the lender-borrower relationship?

- A. Grantor - Grantee**
- B. Mortgagee - Mortgagor**
- C. Beneficiary - Trustee**
- D. Lessee - Lessor**

In the context of the lender-borrower relationship, the term "Mortgagee - Mortgagor" accurately reflects the parties involved. The mortgagee is the lender who provides the loan to the borrower, while the mortgagor is the borrower who takes out the loan, typically to purchase real estate. This relationship is foundational in real estate transactions, as it establishes the obligations and rights of both parties. The mortgagor promises to repay the loan according to the agreed-upon terms, and in return, the mortgagee secures an interest in the property until the loan is repaid. The other terms listed do not describe the specific lender-borrower dynamic within real estate finance. For example, "Grantor - Grantee" pertains to the transfer of property ownership, while "Beneficiary - Trustee" relates to trusts and the management of trust property. "Lessee - Lessor" describes a rental relationship, which is separate from the mortgage context. Thus, "Mortgagee - Mortgagor" is indeed the most appropriate terminology associated with the lender-borrower relationship in real estate transactions.

6. Who records a Declaration of Restrictions in a condo project?

- A. The local government**
- B. The project owner**
- C. The tenants of the project**
- D. The condo association**

In a condominium project, the Declaration of Restrictions is a crucial document that outlines the rules, regulations, and restrictions governing the condo community and its residents. The responsibility for recording this document typically falls to the project owner or developer. The Declaration serves to inform potential buyers and current owners about the use and management of the property, including shared common areas, maintenance responsibilities, and any other community rules that must be adhered to. By recording this document, the project owner ensures that it is legally recognized and enforceable, allowing for the cohesive operation of the condominium project and providing essential information to all parties involved in ownership and governance. When prospective buyers are looking to purchase a unit, the recorded Declaration serves as a source of transparency, detailing what is expected of them as unit owners within that community. It is important to note that while other entities, such as the condo association or local government, may have roles in the management or oversight of the property, they do not typically play a part in the initial recording of the Declaration of Restrictions. The association usually comes into play after the project is developed and sold, where they would uphold and manage the rules set forth in the Declaration.

7. What effect does Ann's marriage have when she sells the property under her married name?

- A. It enhances the title security**
- B. It creates a cloud on the title**
- C. It has no effect on the title**
- D. It invalidates the sale**

When Ann sells the property under her married name, the correct answer revolves around the concept of title and how it can be affected by changes in marital status. When someone marries, their name and legal status may change, which can impact the validity of property transactions if both names are not clearly accounted for in the deed. In this scenario, if Ann sells the property using her married name, there is the potential for confusion regarding her identity and ownership. If her prior ownership was in her maiden name, there could be a risk of a claim against the title because anyone searching the public records may not easily connect the two names without proper disclosure. This creates what is known as a "cloud on the title," which refers to any claim or encumbrance that may affect the marketability of the title. For example, if Ann's maiden name was not also disclosed in the sale transaction, a buyer or a title company might not be able to clearly ascertain that Ann has the right to sell the property. This may lead to disputes or challenges against the title in the future, which underscores the importance of ensuring that all name changes due to marriage are properly recorded to maintain clear title and avoid any legal complications. Thus, Ann's choice to sell under her married

8. When a homeowner takes out a second mortgage, what type of financial arrangement is it typically classified as?

- A. Equity Line of Credit**
- B. Credit Card Loan**
- C. Personal Loan**
- D. Home Equity Loan**

When a homeowner takes out a second mortgage, it is typically classified as a home equity loan. This type of loan allows homeowners to borrow against the equity they have built up in their home, using their property as collateral. The amount available for borrowing generally depends on the current market value of the home and the outstanding balance of the first mortgage. A home equity loan is often provided as a lump sum upfront and can be used for various purposes, such as home improvements, debt consolidation, or other major expenses. The loan is secured against the home, which means if the borrower fails to repay, the lender has the right to initiate foreclosure proceedings. In contrast, an equity line of credit is a revolving credit option based on home equity, while credit card loans represent unsecured loans with higher interest rates. Personal loans are also typically unsecured and may be used for any personal expenses but are not specifically tied to home equity. Therefore, the classification of a second mortgage as a home equity loan aligns with the purpose and structure of this type of financial arrangement.

9. Who is permitted to use the county recorder's office and public records without the presence of the recorder's officer?

- A. Only licensed real estate agents**
- B. Government officials only**
- C. Anyone, as it is open to the public**
- D. Only property owners**

The correct choice is that anyone is permitted to use the county recorder's office and public records without the presence of the recorder's officer because these records are considered a public resource. Public records are established to be accessible to the general public to promote transparency and accountability in government. This means any individual, regardless of their profession or ownership status, can access these records during normal business hours. This access allows citizens, researchers, and interested parties to obtain a wide range of information related to property ownership, transactions, and other relevant data that is recorded by the county. It is important to understand that the goal of making such records public is to facilitate informed decision-making, ensure the integrity of property titles, and uphold the public's right to know about governmental actions and public assets.

10. What is one primary purpose of a conditional use permit in zoning regulations?

- A. To prevent development**
- B. To allow specific exceptions to zoning laws**
- C. To simplify zoning processes**
- D. To enhance property values**

A conditional use permit is primarily designed to provide regulatory flexibility within zoning laws by allowing certain uses or activities which are not typically permitted in the given zoning district, under specific conditions. This mechanism supports the notion that while zoning laws are crucial for maintaining organized land use, there are unique situations where adjustments are warranted. For example, a neighborhood might be zoned for residential use only, but a church or school could potentially enhance the community. By granting a conditional use permit, local authorities can approve these exceptions, ensuring that any negative impacts are mitigated through specified conditions. This allows for growth and development that aligns with community needs while maintaining overall zoning integrity. The other options, while they may have correlations with zoning practices, do not accurately capture the fundamental purpose of a conditional use permit. Preventing development or enhancing property values does not encapsulate the primary function. Similarly, while simplifying zoning processes may be a benefit of some zoning practices, it does not speak to the essential role of conditional use permits and their function to support specific exceptions within established zoning laws.

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://ncbrokerreciprocal.examzify.com>

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

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