

# North Carolina Post Licensing 301 Practice Exam (Sample)

## Study Guide



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**SAMPLE**

## **Questions**

- 1. Which federal act is primarily associated with fair housing?**
  - A. The Fair Housing Amendments Act**
  - B. The Housing and Urban Development Act**
  - C. The Home Mortgage Disclosure Act**
  - D. The Fair Housing Act**
- 2. What is a key benefit of ethical practices in real estate?**
  - A. Increased competition among agents**
  - B. Enhanced reputation and built trust with clients**
  - C. Reduced need for marketing efforts**
  - D. Fewer regulations to follow**
- 3. What does a seller's disclosure statement include?**
  - A. Estimated market value of the property**
  - B. Known defects and issues with the property**
  - C. Comparative market analysis of neighboring properties**
  - D. Future renovation plans for the property**
- 4. How do changes in market conditions affect property values?**
  - A. Only government regulations impact property values**
  - B. Market fluctuations have no effect on pricing**
  - C. Economic factors influence supply and demand, impacting values**
  - D. Pricing is fixed regardless of market changes**
- 5. What is the function of an inspection in a real estate transaction?**
  - A. To assess the value of a property for financing**
  - B. To provide a detailed report of property condition**
  - C. To finalize the sale price of the property**
  - D. To verify the property's style and design**

- 6. In regard to property management, what is a leasehold estate?**
- A. A financial interest in the property**
  - B. A tenant's right to occupy and use rented property for a specified time**
  - C. An ownership stake in a property**
  - D. A type of commercial lease agreement**
- 7. According to real estate principles, who is responsible for reporting wrong information if they should have known?**
- A. Only the seller**
  - B. Agents**
  - C. Principals**
  - D. All parties involved**
- 8. What does the term "closing costs" refer to in real estate?**
- A. Costs associated with the upkeep of a property**
  - B. Fees and expenses incurred in the finalization of a property sale**
  - C. Discounts applied to finalize a mortgage loan**
  - D. Payments made by the seller for property improvements**
- 9. When must a broker disclose their agency status to clients?**
- A. At the signing of a contract**
  - B. At the first substantial contact**
  - C. After negotiating terms**
  - D. Before advertising the property**
- 10. Can an unlicensed employee designate an agent for dual agency?**
- A. No, only licensed agents can do that**
  - B. Yes, if company policy allows**
  - C. Yes, but only in writing**
  - D. No, it is against regulations**

## **Answers**

SAMPLE

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

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## **Explanations**



**1. Which federal act is primarily associated with fair housing?**

- A. The Fair Housing Amendments Act**
- B. The Housing and Urban Development Act**
- C. The Home Mortgage Disclosure Act**
- D. The Fair Housing Act**

The Fair Housing Act is the foundational piece of legislation aimed at eliminating discrimination in housing practices. Enacted in 1968, this act mandates that individuals cannot be denied housing based on race, color, national origin, religion, sex, familial status, or disability. Its primary goal is to promote equal housing opportunities and to ensure that all individuals have the right to rent, purchase, or finance housing without facing discrimination. The Fair Housing Amendments Act, while significant, specifically expanded the protections of the original Fair Housing Act by adding disability and familial status as protected classes. Although it is closely related to the Fair Housing Act, it serves primarily as an enhancement rather than the primary legislation itself. The Housing and Urban Development Act focuses on urban development and housing programs but does not primarily address discrimination in housing. Similarly, the Home Mortgage Disclosure Act is intended to provide transparency in mortgage lending but does not primarily deal with fair housing or discrimination. Thus, the Fair Housing Act remains the central governing law regarding fair housing policies, making it the most appropriate choice for representing the federal initiative focused on promoting and safeguarding fair housing practices.

**2. What is a key benefit of ethical practices in real estate?**

- A. Increased competition among agents**
- B. Enhanced reputation and built trust with clients**
- C. Reduced need for marketing efforts**
- D. Fewer regulations to follow**

A key benefit of ethical practices in real estate is that they lead to an enhanced reputation and build trust with clients. When real estate professionals adhere to high ethical standards, they create an environment of transparency and honesty. This builds confidence in their clients, making it more likely that clients will return for future business or refer the professional to others, which ultimately contributes to long-term success. By consistently demonstrating integrity, these professionals differentiate themselves in a competitive market. Trust is a crucial component of any successful business relationship, especially in real estate, where transactions often involve significant financial investments. A strong reputation for ethical behavior can also attract more clients, as individuals are more inclined to work with agents they view as reliable and trustworthy.

### 3. What does a seller's disclosure statement include?

- A. Estimated market value of the property
- B. Known defects and issues with the property**
- C. Comparative market analysis of neighboring properties
- D. Future renovation plans for the property

A seller's disclosure statement is a crucial document in real estate transactions that provides potential buyers with transparency regarding the property's condition. The primary purpose of this statement is to inform the buyer of any known defects and issues that may affect the property's value or desirability. This includes but is not limited to past water damage, electrical issues, pest infestations, or foundational problems. Knowing about these issues beforehand helps buyers make informed decisions and can prevent future disputes between buyers and sellers. It ensures that the buyer is fully aware of what they are purchasing, allowing them to assess the risk associated with the property. A comprehensive disclosure statement ultimately promotes ethical practices and trust in real estate transactions. In contrast, while estimated market values or comparative market analyses are valuable tools in assessing property worth, they are not typically part of a seller's disclosure statement. Similarly, future renovation plans, though they may influence a buyer's decision, do not fall under the known defects and issues that a seller must disclose. Therefore, the inclusion of known defects and issues is essential and aligns with the legal responsibilities of sellers in many jurisdictions.

### 4. How do changes in market conditions affect property values?

- A. Only government regulations impact property values
- B. Market fluctuations have no effect on pricing
- C. Economic factors influence supply and demand, impacting values**
- D. Pricing is fixed regardless of market changes

Changes in market conditions significantly impact property values primarily through economic factors that influence supply and demand dynamics. When the economy is thriving, there tends to be an increase in employment and consumer confidence, which can lead to higher demand for properties. This heightened demand often results in increased property values as buyers are more willing to invest in real estate. Conversely, during economic downturns, such as recessions, consumer confidence typically declines, and unemployment may rise, leading to decreased demand for properties. As a result, owners may need to lower prices to attract buyers, which in turn can drive property values down. Furthermore, factors such as interest rates, local economic conditions, and population growth directly influence the market's supply and demand balance. For instance, lower interest rates generally make borrowing cheaper, allowing more potential buyers to enter the market, thus driving prices up. In contrast, an oversupply of homes can lead to a drop in prices as sellers compete for fewer buyers. In essence, understanding how economic conditions influence supply and demand helps explain the variable nature of property values over time, making it crucial for real estate professionals to stay informed about market trends and economic indicators.

**5. What is the function of an inspection in a real estate transaction?**

- A. To assess the value of a property for financing**
- B. To provide a detailed report of property condition**
- C. To finalize the sale price of the property**
- D. To verify the property's style and design**

The function of an inspection in a real estate transaction is primarily to provide a detailed report of the property's condition. This process involves a thorough examination by a qualified inspector who evaluates various aspects of the property, including its structural integrity, electrical system, plumbing, HVAC systems, and potential safety hazards. This information is crucial for both buyers and sellers, as it helps the buyer make informed decisions and negotiate repairs or adjustments to the sale price based on the findings. Understanding the condition of the property allows the buyer to assess any immediate or future costs they may incur, making it an essential element of due diligence in real estate transactions. An inspection not only informs the buyer about the current state of the home but can also impact future resale value based on what problems may or may not be discovered. While assessing a property's value and determining a final sale price are important in a transaction, those activities are typically handled through appraisals and negotiations rather than inspections. Additionally, comments on style and design, while potentially noted, are not the primary focus of an inspection, which is largely centered on safety and structural health.

**6. In regard to property management, what is a leasehold estate?**

- A. A financial interest in the property**
- B. A tenant's right to occupy and use rented property for a specified time**
- C. An ownership stake in a property**
- D. A type of commercial lease agreement**

A leasehold estate refers specifically to a tenant's right to occupy and use rented property for a specified period as established by a lease agreement. This legal arrangement allows tenants to enjoy the use of the property while the actual ownership remains with the landlord or property owner. The key features of a leasehold estate include the rights granted to the tenant to possess, use, and manage the property according to the terms of the lease, typically for a defined duration. Understanding leasehold estates is essential in property management because they dictate the relationship between landlords and tenants and outline the rights and obligations of each party. This concept is fundamental to the leasing process and plays a crucial role in property management activities, including lease negotiation, renewal, and termination.

**7. According to real estate principles, who is responsible for reporting wrong information if they should have known?**

**A. Only the seller**

**B. Agents**

**C. Principals**

**D. All parties involved**

In real estate transactions, agents have a duty to ensure that the information communicated to potential buyers is accurate and truthful. This responsibility stems from the fiduciary duty that agents owe to their clients, which includes the obligation to act in the client's best interest and to provide information that they should know as professionals in the field. If an agent is aware of incorrect information - or should reasonably have known it through due diligence - they are responsible for disclosing this information correctly. This includes anything from property condition to financial statements. If they fail to do so, they could face legal consequences for misrepresentation or negligence. While sellers and principals also have responsibilities related to the accuracy of the information they provide, agents bear a distinct responsibility to verify and accurately relay information. Thus, in the context of who is accountable for reporting wrong information, agents hold that key responsibility, as they are expected to possess the knowledge and expertise to identify inaccuracies.

**8. What does the term "closing costs" refer to in real estate?**

**A. Costs associated with the upkeep of a property**

**B. Fees and expenses incurred in the finalization of a property sale**

**C. Discounts applied to finalize a mortgage loan**

**D. Payments made by the seller for property improvements**

The term "closing costs" in real estate refers to the fees and expenses incurred in the finalization of a property sale. These costs are typically associated with the closing process, which is the meeting where the transfer of ownership of the property takes place. Closing costs can include a wide array of items such as title insurance, appraisal fees, inspection fees, attorney fees, and any required taxes or recording fees necessary for the transaction. Understanding closing costs is crucial for both buyers and sellers, as these expenses can significantly affect the overall cost of purchasing or selling a property. The costs are usually detailed in the closing disclosure document, which both parties review before the transaction is finalized. Other options, while related to real estate, do not accurately define closing costs. For example, the upkeep of a property pertains to maintenance and ongoing expenses, which is not what closing costs encompasses. Similarly, discounts related to mortgage loans are more about financing arrangements rather than the costs associated with closing a real estate transaction. Payments made by the seller for property improvements fall under renovation or repair expenses, which are separate from the closing costs incurred to finalize a real estate sale.

**9. When must a broker disclose their agency status to clients?**

- A. At the signing of a contract
- B. At the first substantial contact**
- C. After negotiating terms
- D. Before advertising the property

A broker must disclose their agency status to clients at the first substantial contact because this is the point at which a broker can begin to develop a relationship that may include representation. Early disclosure is crucial as it establishes trust and transparency, allowing the client to understand who the broker is representing and any implications that come with that relationship. This requirement ensures that clients are fully aware of the broker's role in the transaction before significant discussions or negotiations commence. Failing to disclose at this stage could lead to misunderstandings about the broker's obligations and loyalties, which could ultimately harm the client's interests or the professional relationship. The other options might imply disclosure at moments when a client is already engaged or committed in ways that might limit their understanding or choice regarding representation. For instance, waiting until the signing of a contract would be too late to provide the necessary information for an informed decision. Similarly, disclosing after negotiating terms does not provide the client the benefit of knowing the broker's position throughout those negotiations, which could be critical in maintaining an ethical and fair process. Advertising the property also does not necessitate agency disclosure, as the communication dynamics are different in that context.

**10. Can an unlicensed employee designate an agent for dual agency?**

- A. No, only licensed agents can do that
- B. Yes, if company policy allows**
- C. Yes, but only in writing
- D. No, it is against regulations

The correct response highlights the possibility of an unlicensed employee designating an agent for dual agency if company policy permits it. This reflects the understanding that while the law has specific stipulations regarding the actions and authority of licensed agents, it also allows for certain non-licensed individuals to participate in the process under prescribed circumstances dictated by their employing brokerage's policies. In the context of real estate, dual agency refers to a situation where a single agent represents both the buyer and the seller in a transaction. This setup requires careful management to ensure that all parties are treated fairly and that their individual interests are protected. Typically, licensed agents carry the responsibility of maintaining the fiduciary duties required in agency relationships. However, an unlicensed employee can assist with tasks such as administrative support or coordination, provided their actions align with the written policies of the brokerage. The provisions for such actions underline the importance of brokerage policies and adherence to defined operational guidelines, allowing non-licensed personnel to function in supportive roles that can enhance efficiency and service delivery, as long as they do not engage in acts that would require a license. In contrast to this, the other options suggest outright prohibitions or restrictions that do not take into account the nuances allowed by company policies, reinforcing the reality that organizational rules