

# North Carolina Post Licensing 301 Practice Exam (Sample)

## Study Guide



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**SAMPLE**

## **Questions**

- 1. 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**
- 2. What are the three main types of agency?**
  - A. Exclusive, Limited, and Special**
  - B. Exclusive, Non-Exclusive, and Dual**
  - C. General, Special, and Agency by Estoppel**
  - D. Partnership, Joint, and Agency**
- 3. Why are material facts important in a real estate transaction?**
  - A. They determine the property's location**
  - B. They could influence a buyer's decision or the value of the property**
  - C. They specify who pays for closing costs**
  - D. They establish the timeline for the sale**
- 4. What is the purpose of a comparative market analysis (CMA)?**
  - A. To estimate potential market value of a property by comparing it with similar ones**
  - B. To determine the cost of renovation for a property**
  - C. To assess the condition of a property before sale**
  - D. To calculate annual property taxes**
- 5. What is the impact of misrepresentation in a real estate transaction?**
  - A. It can result in a decrease in property value**
  - B. It can lead to legal consequences, including license suspension or revocation**
  - C. It only affects the buyer's decision**
  - D. It has no real impact on the transaction**

- 6. If necessary adjustments are identified during a CMA, they must be made to which property?**
- A. Subject Property**
  - B. Comparable Property**
  - C. Both Subject and Comparable**
  - D. None**
- 7. What documentation does a buyer need to obtain a mortgage pre-approval?**
- A. Only credit history**
  - B. Financial documentation including income verification, credit history, and debt-to-income ratio**
  - C. Proof of employment**
  - D. None, just a verbal agreement**
- 8. What is the purpose of fair housing legislation?**
- A. To regulate real estate commissions**
  - B. To prevent discrimination in housing**
  - C. To ensure fair property tax assessments**
  - D. To maintain property values**
- 9. What is required from a broker when marketing properties?**
- A. To create a detailed property history**
  - B. To include their name and the brokerage firm name**
  - C. To focus only on the most expensive listings**
  - D. To avoid disclosing personal information**
- 10. What is a common duty of property managers regarding tenant relations?**
- A. Marketing properties**
  - B. Conducting tenant screenings**
  - C. Preparing tax documents**
  - D. Performing property appraisals**

## **Answers**

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

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## **Explanations**

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## 1. 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.

## 2. What are the three main types of agency?

- A. Exclusive, Limited, and Special
- B. Exclusive, Non-Exclusive, and Dual**
- C. General, Special, and Agency by Estoppel
- D. Partnership, Joint, and Agency

The correct understanding of the three main types of agency encompasses Exclusive, Non-Exclusive, and Dual agency relationships. Exclusive agency typically refers to an agreement where only one agency is authorized to sell a property, but the owner retains the right to sell it themselves without owing a commission. Non-Exclusive agency permits the property owner to engage multiple agents to sell the property and is often characterized by a more competitive market approach. Dual agency occurs when an agent represents both the buyer and the seller in a transaction, which raises unique legal and ethical considerations that must be managed carefully to avoid conflicts of interest. These classifications help clarify the different dynamics in agency relationships in real estate, setting clear expectations and responsibilities for both agents and clients. Understanding these distinct forms of agency is crucial for real estate professionals as they navigate their roles and obligations in various transactions. In contrast, the other options represent different concepts or classifications that are not the standard framework for types of agency in real estate. Terms like 'General' and 'Agency by Estoppel' are more nuanced, while classifications like 'Partnership' and 'Joint' describe business structures rather than specific agency types.

### 3. Why are material facts important in a real estate transaction?

- A. They determine the property's location
- B. They could influence a buyer's decision or the value of the property**
- C. They specify who pays for closing costs
- D. They establish the timeline for the sale

Material facts in a real estate transaction are crucial because they have the potential to significantly influence a buyer's decision-making process and the overall value of the property. These facts include any information that could affect the desirability or worth of a property, such as structural issues, zoning restrictions, or previous water damage. If a buyer is unaware of a material fact, they might make a decision that could lead to dissatisfaction or financial loss after the purchase. For instance, if a property has undisclosed problems, such as a leaky roof or pest infestations, discovering these issues post-sale could lead to serious ramifications for the buyer, both emotionally and financially. The transparency of material facts is essential to ensure informed consent and trust in real estate transactions, fostering a fair marketplace where buyers can make decisions based on complete and accurate information. Understanding material facts is vital for real estate professionals to uphold ethical standards and legal obligations, ensuring that they disclose appropriate details that could impact a transaction.

### 4. What is the purpose of a comparative market analysis (CMA)?

- A. To estimate potential market value of a property by comparing it with similar ones**
- B. To determine the cost of renovation for a property
- C. To assess the condition of a property before sale
- D. To calculate annual property taxes

The purpose of a comparative market analysis (CMA) is to estimate the potential market value of a property by comparing it with similar properties that have recently been sold, are currently on the market, or were taken off the market. This analysis takes into account various factors such as location, size, features, and recent sales data to provide a more accurate value estimation for the property in question. By analyzing comparable properties, a real estate professional can offer clients insights into the current market conditions and help them make informed decisions regarding pricing, buying, or selling real estate. This approach is fundamental in helping sellers set an appropriate listing price and assisting buyers in making competitive offers. The other options focus on specific aspects that are not the primary purpose of a CMA. For example, determining renovation costs, assessing property condition, or calculating annual property taxes are important tasks in real estate, but they do not embody the core purpose of conducting a comparative market analysis. Thus, option A is the most accurate answer concerning the function of a CMA.

**5. What is the impact of misrepresentation in a real estate transaction?**

- A. It can result in a decrease in property value**
- B. It can lead to legal consequences, including license suspension or revocation**
- C. It only affects the buyer's decision**
- D. It has no real impact on the transaction**

Misrepresentation in a real estate transaction has significant legal implications, making the chosen answer particularly relevant. When a party knowingly provides false information or omits crucial details, it undermines the trust essential for conducting real estate business. This breach of trust not only impacts the relationship between the buyer and seller but can also lead to substantial legal consequences, which may include license suspension or revocation for real estate professionals involved in the transaction. Beyond these direct legal repercussions, misrepresentation can result in civil liability, where affected parties may seek damages for losses incurred due to the falsehood. This emphasizes the importance of honesty and transparency in real estate dealings, as it helps protect all parties involved and upholds the integrity of the industry. In contrast, while a decrease in property value is a potential consequence of misrepresentation, it is more a secondary effect rather than a direct legal consequence. Additionally, stating that it only affects the buyer's decision overlooks the broader implications that misrepresentation has on sellers, agents, and the overall market. Lastly, claiming that misrepresentation has no real impact is misleading, as the potential repercussions can have serious consequences for all parties involved in a transaction.

**6. If necessary adjustments are identified during a CMA, they must be made to which property?**

- A. Subject Property**
- B. Comparable Property**
- C. Both Subject and Comparable**
- D. None**

The correct answer focuses on adjustments that need to be made to the comparable properties in a Comparative Market Analysis (CMA). When assessing the value of a subject property, real estate professionals look at recently sold properties that are similar, known as comparables, to set a fair market price. Adjustments are crucial because no two properties are identical; they may differ in size, features, location, or condition. When these differences are identified during the CMA process, they must be applied to the comparable properties to ensure that the comparison is valid. By adjusting the prices of comparable properties, an appraiser or agent can derive a more accurate value for the subject property that reflects the market conditions and individual property characteristics. For instance, if the subject property has a garage and the comparable does not, the comparable's value would be adjusted downward to reflect this difference, allowing for a more equitable comparison. This methodology is essential to arrive at a reliable estimate of what the subject property should be worth in the current market context.

**7. What documentation does a buyer need to obtain a mortgage pre-approval?**

- A. Only credit history**
- B. Financial documentation including income verification, credit history, and debt-to-income ratio**
- C. Proof of employment**
- D. None, just a verbal agreement**

To secure a mortgage pre-approval, a buyer must provide financial documentation that offers lenders a comprehensive view of their financial status. This includes income verification, which proves the buyer has a reliable income to repay the loan, and a credit history, which indicates how well they have managed previous debts. Additionally, assessing the debt-to-income ratio is crucial for understanding the buyer's capacity to take on new mortgage payments in relation to their existing financial obligations. The combination of these factors allows lenders to accurately evaluate the buyer's ability to afford a mortgage loan, which leads to a more informed decision during the approval process. Having this thorough documentation is essential for the buyer to increase their chances of securing that pre-approval and demonstrating serious intent when entering the real estate market.

**8. What is the purpose of fair housing legislation?**

- A. To regulate real estate commissions**
- B. To prevent discrimination in housing**
- C. To ensure fair property tax assessments**
- D. To maintain property values**

The purpose of fair housing legislation is primarily to prevent discrimination in housing. This legislation aims to ensure that individuals have equal access to housing opportunities regardless of characteristics such as race, color, religion, sex, national origin, disability, or familial status. By prohibiting discriminatory practices, these laws foster an inclusive environment where everyone can seek housing without facing unjust barriers or biases. Fair housing laws are critical in promoting equity in the housing market, ensuring that all buyers and renters have the same opportunities to secure desired housing and live in neighborhoods of their choice. This commitment to equal treatment not only supports individual rights but also helps create diverse and integrated communities. Other options do not directly relate to the fundamental goals of fair housing legislation. While regulating commissions, property tax assessments, and maintaining property values are important topics in real estate, they do not address the core aim of protecting individuals from discrimination in housing transactions.

**9. What is required from a broker when marketing properties?**

- A. To create a detailed property history**
- B. To include their name and the brokerage firm name**
- C. To focus only on the most expensive listings**
- D. To avoid disclosing personal information**

When marketing properties, brokers are required to include their name and the brokerage firm name prominently in all marketing materials. This requirement ensures transparency and accountability in real estate transactions. It allows potential clients and consumers to recognize who is representing the property, which helps foster trust and credibility within the industry. Including this information not only adheres to legal standards but also serves to protect the interests of clients by clearly indicating who is responsible for the marketing and sale of the property. While creating a detailed property history can be beneficial and focusing on high-value listings might seem strategic, these actions are not universally required for all marketing. Additionally, avoiding the disclosure of personal information is important for privacy reasons, but this does not relate directly to the mandatory marketing practices of including the broker's and brokerage's name. The emphasis on clear identification helps maintain professionalism and complies with state regulations in North Carolina and most other jurisdictions.

**10. What is a common duty of property managers regarding tenant relations?**

- A. Marketing properties**
- B. Conducting tenant screenings**
- C. Preparing tax documents**
- D. Performing property appraisals**

A common duty of property managers regarding tenant relations is conducting tenant screenings. This process is crucial for ensuring that the right tenants are selected for rental properties, which can significantly impact overall management success and tenant satisfaction. Through tenant screenings, property managers can assess the backgrounds of prospective tenants, including credit histories and rental histories, to determine their suitability as tenants. Successful tenant relations begin with the selection of tenants who are likely to uphold the terms of the lease, communicate effectively, and contribute positively to the property environment. By conducting thorough screenings, property managers not only protect the interests of property owners but also set a precedent for a respectful and cohesive community among tenants. Other duties, while important, do not directly pertain to fostering positive relationships with tenants. For instance, marketing properties can attract potential tenants but does not involve interactions with them after they begin residency. Preparing tax documents is vital for financial reporting but is not related to tenant relations. Lastly, performing property appraisals is more about assessing property value rather than engaging with tenants. Thus, the duty of conducting tenant screenings stands out as a key responsibility of property managers in fostering strong tenant relations.