

North Carolina Post Licensing 302 Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

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SAMPLE

Questions

- 1. What is the due diligence fee related to?**
 - A. A payment to the government**
 - B. A fee for inspecting a property**
 - C. A basis for determining the purchase agreement**
 - D. A cost associated with financing**
- 2. According to contract law, when is an offer automatically terminated?**
 - A. At any time**
 - B. Upon completion of the contract**
 - C. Counter offer is made**
 - D. When the buyer insists on making changes**
- 3. How often must a trust account be balanced according to the regulations?**
 - A. Every 15 days**
 - B. Every 30 days**
 - C. Every 60 days**
 - D. Every 90 days**
- 4. What happens if a broker does not renew their license?**
 - A. The license becomes inactive**
 - B. The license becomes expired**
 - C. The license is suspended**
 - D. The license remains valid for an additional year**
- 5. What is required of all co-owners when signing a contract?**
 - A. Only one co-owner needs to sign.**
 - B. All co-owners must sign.**
 - C. Co-owners can sign using nicknames.**
 - D. Only entities need to sign, not individuals.**

- 6. If a broker is acting as a dual agent, what guidelines must they follow regarding closing disclosures?**
- A. Provide both parties with all disclosures**
 - B. Only provide the buyer with their respective CD**
 - C. Only provide the seller with their respective CD**
 - D. Share the closing disclosures after settlement**
- 7. What is true regarding the communication of an offer or acceptance to a principal's agent?**
- A. It must be done in writing only**
 - B. It's equivalent to communicating directly to the principal**
 - C. It can be ignored if verbal communication occurs**
 - D. Only the principal can accept an offer**
- 8. What can a brokerage do with the earnest money if a buyer's transaction closes?**
- A. Return it to the buyer**
 - B. Hold it indefinitely**
 - C. Retain it as commission**
 - D. Transfer it to the seller**
- 9. Which names are typically discouraged from being used in a real estate contract?**
- A. Full legal names.**
 - B. Nicknames.**
 - C. Names of authorized agents.**
 - D. All of the above are discouraged.**
- 10. How many business days does a lender have to provide the loan estimate after a borrower applies for a loan?**
- A. 1 business day**
 - B. 2 business days**
 - C. 3 business days**
 - D. 5 business days**

Answers

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

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Explanations

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1. What is the due diligence fee related to?

- A. A payment to the government**
- B. A fee for inspecting a property**
- C. A basis for determining the purchase agreement**
- D. A cost associated with financing**

The due diligence fee is primarily related to the process of inspecting a property before finalizing a real estate transaction. When a buyer enters into a purchase agreement, this fee is paid by the buyer to the seller as a way to secure the right to conduct inspections, investigations, and assessments on the property within a specified due diligence period. By paying this fee, the buyer demonstrates a serious intent to proceed with the purchase, while also compensating the seller for taking the property off the market during that time. This fee is particularly significant because it reflects the buyer's commitment to uncovering any potential issues with the property, such as structural problems or zoning regulations, which could influence their decision to move forward with the purchase. If the buyer decides not to proceed after the due diligence period, they may lose this fee, but it also serves as part of the overall transaction if the sale goes through.

2. According to contract law, when is an offer automatically terminated?

- A. At any time**
- B. Upon completion of the contract**
- C. Counter offer is made**
- D. When the buyer insists on making changes**

An offer is automatically terminated when a counter offer is made because it indicates that the original terms are no longer accepted. In the realm of contract law, a counter offer serves as a rejection of the original offer and sets forth new terms and conditions, effectively voiding the initial proposal. When the offeree responds with a counter offer, the original offer is no longer valid as the parties are now entering into negotiations based on different terms. This is essential in understanding how offers function in contractual agreements and how acceptance is framed within the context of communication between parties. While an offer can indeed be withdrawn or terminated at any point before acceptance, that is not an automatic process—it requires action from the party who made the offer. Additionally, the completion of a contract signifies that all terms have been fulfilled, leading to the end of the offer rather than its termination along the way. The insistence on changes by the buyer could result in new discussions, but it does not formally terminate the original offer until a counter proposal is put forth. Thus, recognizing that a counter offer automatically terminates the original offer is a key principle in contract law.

3. How often must a trust account be balanced according to the regulations?

- A. Every 15 days**
- B. Every 30 days**
- C. Every 60 days**
- D. Every 90 days**

A trust account must be balanced every 30 days as per regulatory requirements. This ensures that the financial records are accurate and up-to-date, which is crucial for managing client funds responsibly. Regular balancing of trust accounts helps in detecting discrepancies promptly and maintaining compliance with state regulations. Balancing every 30 days provides a systematic approach to managing the trust funds, allowing for ongoing oversight and accountability. This frequency is designed to protect both the broker and the clients by ensuring that all transactions are documented and verified regularly.

4. What happens if a broker does not renew their license?

- A. The license becomes inactive**
- B. The license becomes expired**
- C. The license is suspended**
- D. The license remains valid for an additional year**

When a broker does not renew their license, the license becomes expired. An expired license means that the broker can no longer legally engage in any real estate activities, as they are not authorized to operate under an expired status. It is important for brokers to be aware of the renewal deadlines and requirements in order to maintain their ability to practice real estate without interruption. While the concepts of inactive and suspended licenses may seem related, they refer to different status levels which result from different circumstances. An inactive license can occur when a broker chooses not to engage in real estate rather than missing renewal deadlines. Understanding the difference between these statuses is crucial for brokers to ensure compliance and maintain their professional standing.

5. What is required of all co-owners when signing a contract?

- A. Only one co-owner needs to sign.**
- B. All co-owners must sign.**
- C. Co-owners can sign using nicknames.**
- D. Only entities need to sign, not individuals.**

For a contract involving co-owners, it is essential that all co-owners must sign the document to ensure that all parties are legally bound by its terms and conditions. This requirement protects the interests of each co-owner and prevents any disputes regarding the validity of the contract. By having all co-owners sign, it confirms their agreement and commitment to the obligations outlined in the contract. This principle is particularly important in real estate transactions, where joint ownership is common. Each co-owner typically has an equal stake in the property, and their signatures signify their consent to the responsibilities and benefits that come with ownership. When all co-owners sign, it provides clarity and prevents future complications, such as one co-owner claiming they were unaware of the contractual obligations. In contrast, scenarios where only one co-owner signs may lead to enforceability issues, particularly if other co-owners later dispute the terms or claim they were not part of the agreement. Similarly, the use of nicknames or allowing only one party to sign does not satisfy the legal requirements for binding all co-owners to the contractual terms, potentially leading to significant legal challenges. Moreover, implying that only entities need to sign overlooks the reality that individual co-owners must also participate in the signing process for the

6. If a broker is acting as a dual agent, what guidelines must they follow regarding closing disclosures?

- A. Provide both parties with all disclosures**
- B. Only provide the buyer with their respective CD**
- C. Only provide the seller with their respective CD**
- D. Share the closing disclosures after settlement**

In the context of dual agency, a broker represents both the buyer and the seller in a real estate transaction. The key guideline that governs closing disclosures in such situations is that the broker is required to provide only the buyer with their respective closing disclosure (CD) and the seller with theirs. This approach maintains the balance and integrity of the broker's dual role. By offering each party their own respective CD, the broker ensures that both parties receive the necessary information pertaining to their transaction while also upholding confidentiality standards. It prevents any potential conflicts that might arise from disclosing one party's financial details to the other party, ensuring that each party is informed without compromising their individual interests. Consequently, while both parties are entitled to the disclosures relevant to their transactions, the dual agent's responsibility lies in providing each with the appropriate and separate documentation rather than sharing both sets of disclosures or waiting until after settlement. This practice aligns with the dual agency guidelines aimed at protecting both the buyer's and seller's rights and interests.

7. What is true regarding the communication of an offer or acceptance to a principal's agent?

- A. It must be done in writing only**
- B. It's equivalent to communicating directly to the principal**
- C. It can be ignored if verbal communication occurs**
- D. Only the principal can accept an offer**

When communicating an offer or acceptance to a principal's agent, it is important to understand that doing so is considered equivalent to communicating directly with the principal. This principle is based on the legal concept of agency, where the agent acts on behalf of the principal. Therefore, an agent is authorized to receive communications related to offers and acceptances, which means that the principal is treated as if they have directly received the offer or acceptance. This equivalence means that once the agent receives the communication, it creates a binding effect as if the principal had obtained this information personally. This enhances the efficiency of transactions, as it allows for smoother negotiations and transactions without requiring direct interaction with the principal each time an offer is made or accepted. The other choices present scenarios that do not align with the established legal framework around agency. For instance, while writing can be important in some contexts, it is not strictly necessary for all binding communications. Ignoring an offer based on verbal communication also misrepresents the authority an agent holds. Lastly, while only a principal can ultimately accept an offer, the agent plays a crucial role in this process by facilitating communication and making the acceptance effective. Understanding these nuances is essential for navigating real estate transactions effectively.

8. What can a brokerage do with the earnest money if a buyer's transaction closes?

- A. Return it to the buyer**
- B. Hold it indefinitely**
- C. Retain it as commission**
- D. Transfer it to the seller**

In a real estate transaction, earnest money serves as a good faith deposit from the buyer to indicate their commitment to purchasing the property. When a transaction successfully closes, the brokerage typically has specific protocols regarding how the earnest money should be handled. Retaining the earnest money as commission can occur only if it is agreed upon in the terms of the contract, and certain conditions are met, such as the buyer not fulfilling their obligations. If the transaction proceeds to closing, the earnest money often gets applied towards the buyer's down payment or closing costs, rather than being retained by the brokerage as a commission. In transactions that do not close, the earnest money could be subject to dispute between the buyer and seller, so it's not appropriate for the brokerage to simply retain it as their commission under standard circumstances. Understanding the protocols for handling earnest money is crucial in real estate transactions, particularly in ensuring that all parties are aligned with the terms agreed upon in the purchase agreement.

9. Which names are typically discouraged from being used in a real estate contract?

- A. Full legal names.**
- B. Nicknames.**
- C. Names of authorized agents.**
- D. All of the above are discouraged.**

In the context of real estate contracts, using nicknames is typically discouraged because they can lead to ambiguity and confusion regarding the identities of the parties involved. A real estate contract requires clear identification of the parties to ensure that the terms of the agreement are legally binding and enforceable. Using a full legal name helps to eliminate any uncertainties regarding the identity of individuals in the contract. Additionally, proper identification minimizes the risk of disputes over who the parties are, which can arise if a nickname that is not commonly associated with the individual is used. Clarity in the legal documents is paramount; hence, the use of full legal names is preferred to maintain professionalism and legal integrity within real estate transactions.

10. How many business days does a lender have to provide the loan estimate after a borrower applies for a loan?

- A. 1 business day**
- B. 2 business days**
- C. 3 business days**
- D. 5 business days**

A lender is required to provide the loan estimate within three business days after a borrower submits a loan application. This requirement is established under the Truth in Lending Act and the Real Estate Settlement Procedures Act, commonly known as TRID regulations. The loan estimate is a critical document that outlines the costs and terms of the loan, ensuring that borrowers have clear information about what to expect. The timeline is designed to give borrowers enough time to review the terms and compare loan options before proceeding with the mortgage process. In this context, three business days provide a balance between the need for timely communication and allowing borrowers to make informed decisions.