

Nova Scotia Association of Realtors (NSAR) Salesperson License Practice Test (Sample)

Study Guide



Everything you need from our exam experts!

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Questions

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- 1. What must happen for a Settlement Agreement to have full force and effect?**
 - A. It must be signed by the industry member**
 - B. It must be approved by the Complaint Review Committee**
 - C. It must undergo public voting**
 - D. It must be ratified by the NSREC Board of Directors**
- 2. What does a mortgage deed primarily create?**
 - A. A legal obligation to repay a loan**
 - B. A transfer of property ownership**
 - C. A security interest in real property**
 - D. A rental agreement**
- 3. Which estate type allows for the least limitations on ownership?**
 - A. Leasehold estate**
 - B. Life estate**
 - C. Future estate**
 - D. Fee simple**
- 4. What relationship is absent in a dual agency scenario?**
 - A. Representation of multiple clients**
 - B. Cooperation among parties**
 - C. Conflict of interest**
 - D. Separation of client interests**
- 5. What requirement does FINTRAC impose on real estate brokerages?**
 - A. To provide discounts on services**
 - B. To verify client identities in transactions**
 - C. To collect demographic information**
 - D. To offer market evaluations**

- 6. Which of the following best defines a "leasehold" in real estate?**
- A. An ownership of property**
 - B. An interest in real estate for a definite period of time**
 - C. The right to possess personal property**
 - D. The improvement made to a property**
- 7. What defines a single right within the bundle of rights in fee simple ownership?**
- A. Metes and Bounds**
 - B. Leasehold**
 - C. Fractional Interest**
 - D. Fixtures**
- 8. What is the focus of the secondary market in mortgages?**
- A. Issuing new mortgages**
 - B. Trading existing mortgages based on future cash flows**
 - C. Evaluating real estate value**
 - D. Conducting mortgage appraisals**
- 9. What function do Land Information Centers (LICs) provide?**
- A. Manage property sales**
 - B. Develop and maintain land information products and services**
 - C. Oversee mortgage transactions**
 - D. Provide community social services**
- 10. What does the Principle of Competition state about excess profit?**
- A. It encourages strategic alliances among developers**
 - B. It leads to increased investment in properties**
 - C. It can result in ruinous competition**
 - D. It guarantees success for all involved parties**

Answers

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

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Explanations

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1. What must happen for a Settlement Agreement to have full force and effect?

- A. It must be signed by the industry member**
- B. It must be approved by the Complaint Review Committee**
- C. It must undergo public voting**
- D. It must be ratified by the NSREC Board of Directors**

For a Settlement Agreement to have full force and effect, it is necessary for it to be approved by the Complaint Review Committee. This committee is tasked with reviewing the terms of the agreement to ensure that it is fair and compliant with the necessary regulations and standards. The approval by the committee acts as a form of oversight, providing an additional layer of scrutiny to the agreement before it becomes enforceable. This process helps to protect the interests of all parties involved and ensures that the settlement aligns with the ethical and legal principles governing real estate practices in Nova Scotia. The other options do not hold the same significance in the context of making the Settlement Agreement effective. For instance, while the industry member's signature or ratification by the NSREC Board can be important steps in other contexts, they do not specifically pertain to the necessary requirement for the agreement to gain full effect. Public voting is also not a standard procedure in this context, focusing more on individual sign-off and committee approval to ensure adherence to regulatory standards.

2. What does a mortgage deed primarily create?

- A. A legal obligation to repay a loan**
- B. A transfer of property ownership**
- C. A security interest in real property**
- D. A rental agreement**

A mortgage deed primarily creates a security interest in real property, which means it secures the lender's interest in the property being financed. When a borrower takes out a mortgage, they are not actually transferring the ownership of the property to the lender; instead, they are using the property as collateral for the loan. This security interest allows the lender to claim the property if the borrower defaults on the loan, while the borrower retains ownership and the right to occupy the property as long as they meet the repayment terms. In contrast, a legal obligation to repay a loan outlines the borrower's promise to repay the funds borrowed, but it does not create the actual security lien on the property. Similarly, a transfer of property ownership would indicate that the property has changed hands permanently, which is not the case with a mortgage deed. Lastly, a rental agreement pertains to the lease and use of property without transferring ownership, which is entirely separate from the functioning of a mortgage deed. Thus, the correct choice reflects the essential role of the mortgage deed in securing the lender's investment through a legal claim against the property.

3. Which estate type allows for the least limitations on ownership?

- A. Leasehold estate**
- B. Life estate**
- C. Future estate**
- D. Fee simple**

Fee simple is the estate type that allows for the least limitations on ownership. This type of estate grants the owner full rights to the property, including the ability to sell, lease, or will the property to heirs without restrictions. The owner of a fee simple estate essentially has the maximum ownership interest possible under the law, which can be transferred or conveyed freely. In contrast, a leasehold estate typically involves renting property for a defined period, and ownership is limited to the duration of the lease. A life estate conveys ownership for the duration of a person's life, after which the property reverts back to the original grantor or a designated third party, which adds limitations to the estate. A future estate refers to a legal right to own property at a future date, which also means there are limitations on current ownership and use. Therefore, when considering the extent of rights and freedoms associated with ownership, fee simple stands out as the most unrestricted form of property ownership.

4. What relationship is absent in a dual agency scenario?

- A. Representation of multiple clients**
- B. Cooperation among parties**
- C. Conflict of interest**
- D. Separation of client interests**

In a dual agency scenario, separation of client interests is absent because the agent represents both the buyer and the seller in the same transaction. This situation creates a unique dynamic where the agent must balance the interests of both parties, which can lead to complications in fully advocating for one over the other. When an agent is a dual agent, they have a legal obligation to act impartially, which means they cannot fully separate or prioritize one client's interests over the other's. This can lead to potential ethical dilemmas and conflicts since the goals of the buyer and seller may be inherently opposed. Knowing this helps in understanding the complexities and responsibilities involved in dual agency situations, particularly in terms of maintaining fairness and transparency without favoring one client.

5. What requirement does FINTRAC impose on real estate brokerages?

- A. To provide discounts on services**
- B. To verify client identities in transactions**
- C. To collect demographic information**
- D. To offer market evaluations**

FINTRAC, the Financial Transactions and Reports Analysis Centre of Canada, has established regulations aimed at preventing money laundering and the financing of terrorist activities. One of the key requirements imposed on real estate brokerages is the obligation to verify client identities in transactions. This requirement is crucial because it helps ensure that brokerages are not inadvertently facilitating illegal activities by allowing transactions to occur without knowing who is involved. The process typically involves gathering specific identification documents from clients, such as government-issued IDs, and confirming their identities against reliable sources. This verification plays a significant role in maintaining the integrity of the real estate market and aligning with broader national and international efforts to combat financial crimes. The other options listed do not align with FINTRAC's regulatory framework. While discounts on services, collecting demographic information, and offering market evaluations may relate to business practices, they are not mandated responsibilities under FINTRAC's guidelines for real estate brokerages. Understanding this requirement is essential for compliance and for maintaining the trust placed in the real estate sector.

6. Which of the following best defines a "leasehold" in real estate?

- A. An ownership of property**
- B. An interest in real estate for a definite period of time**
- C. The right to possess personal property**
- D. The improvement made to a property**

A leasehold represents an interest in real estate for a specific and defined period of time. This arrangement is established through a lease agreement, where the tenant, or lessee, is granted the right to occupy and utilize the property owned by another party, the lessor, for a predetermined time frame. Unlike ownership, which typically grants irrevocable and long-term rights, a leasehold is temporary and bound by the terms outlined in the lease, including duration, payment obligations, and conditions for property use. In contrast to ownership of property, a concept identified in another choice, a leasehold does not convey ownership rights but rather the right to use the property for the duration of the lease. The option referring to personal property emphasizes possession rather than real property interests, and improvement made to a property addresses modifications rather than ownership or leasing arrangements. Therefore, the concept of a leasehold is clearly articulated as being an interest in real estate with defined limits in terms of time and usage.

7. What defines a single right within the bundle of rights in fee simple ownership?

- A. Metes and Bounds**
- B. Leasehold**
- C. Fractional Interest**
- D. Fixtures**

In the context of fee simple ownership, a single right within the bundle of rights refers to a specific legal interest that an owner holds in a property. Fractional interest signifies that an owner has a share or portion of ownership in a property, rather than full ownership. This aligns with the concept of fee simple ownership, which grants the owner a complete set of rights, including the right to sell, lease, use, or develop the property. The other options do not represent single rights within the bundle: - Metes and bounds is a method of describing property boundaries and does not define a right within the bundle of rights. - Leasehold refers to a tenant's interest in a property that is governed by a lease agreement, meaning the tenant does not hold the complete set of rights that come with fee simple ownership. - Fixtures are items attached to the property, but they do not represent a direct ownership right within the context of discussing fee simple's bundle of rights. Thus, fractional interest is the option that directly relates to defining a single right within the broader context of ownership in a fee simple estate.

8. What is the focus of the secondary market in mortgages?

- A. Issuing new mortgages**
- B. Trading existing mortgages based on future cash flows**
- C. Evaluating real estate value**
- D. Conducting mortgage appraisals**

The secondary market in mortgages is primarily concerned with the trading of existing mortgages. This market allows financial institutions and investors to buy and sell mortgages based on their anticipated future cash flows. As such, the focus here is on the transfer and management of mortgage assets that have already been issued. In this context, the buying and selling aspects allow lenders to free up capital, enabling them to issue more loans and thus increase liquidity in the mortgage market. The values of the mortgages can fluctuate based on interest rate changes and the creditworthiness of the original borrowers, making these factors crucial for investors who are assessing potential returns. The other options involve activities typically associated with the primary mortgage market (issuing new mortgages), real estate assessments (evaluating real estate value), and property valuations (conducting mortgage appraisals), rather than the trading of existing loan assets which is the key function of the secondary market.

9. What function do Land Information Centers (LICs) provide?

- A. Manage property sales
- B. Develop and maintain land information products and services**
- C. Oversee mortgage transactions
- D. Provide community social services

Land Information Centers (LICs) play a crucial role in managing and disseminating geographic and land-related data, which is a vital resource for various stakeholders. The primary function of these centers is to develop and maintain land information products and services, which include maps, land use data, property boundaries, and other relevant geographic information. This data supports a range of activities, including urban planning, environmental management, and real estate transactions, by providing reliable and accessible information. This focus on land information products and services makes LICs essential for professionals in real estate, development, and municipal planning, among others, who rely on accurate data for decision-making and operational efficiency. The other options, while related to aspects of real estate and community services, do not align specifically with the core function of LICs. Managing property sales, overseeing mortgage transactions, or providing social services are outside the specific mandate of Land Information Centers, which is primarily focused on the collection and distribution of land-related information.

10. What does the Principle of Competition state about excess profit?

- A. It encourages strategic alliances among developers
- B. It leads to increased investment in properties
- C. It can result in ruinous competition**
- D. It guarantees success for all involved parties

The Principle of Competition indicates that when excess profits are available in a market, it can lead to an environment where numerous competitors are drawn to that market in pursuit of those profits. This influx of competitors can lead to fierce rivalry among them, often resulting in actions that may harm the overall financial health of the competitors involved. This situation is known as ruinous competition, where the attempt to capture profits drives prices down or leads to unsustainable practices, ultimately undermining the viability of many businesses. In a competitive market, the natural drive for businesses to outperform each other can escalate to a point where companies sacrifice their margins, engage in destructive pricing strategies, or incur excessive expenses in attempts to maintain or grow their market share. Instead of benefiting all participants, this cycle can erode profits and potentially lead to business failures, highlighting the detrimental effects that excess competition can have when not managed correctly.