

Promulgated Contract Forms Practice Test (Sample)

Study Guide



Everything you need from our exam experts!

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SAMPLE

Questions

SAMPLE

- 1. In the context of real estate contracts, what does the term "real property" refer to?**
 - A. Only land**
 - B. Land and personal possessions**
 - C. Land and anything permanently attached to it**
 - D. Land and neighboring properties**
- 2. What action is typically taken if an agent discovers a zoning violation on a property?**
 - A. Contact the buyer immediately**
 - B. Include the violation in disclosures and inform the client**
 - C. Change the property's listing**
 - D. Seek legal advice without informing the client**
- 3. If a Buyer does not tender the option fee within the time limit set in the contract, what happens to their right to terminate under the option?**
 - A. They retain their right to terminate**
 - B. They lose their unrestricted right to terminate**
 - C. The Seller must return the option fee**
 - D. They receive a partial refund**
- 4. What should happen to the earnest money on the Seller's default?**
 - A. It belongs to the Broker**
 - B. It should be returned to the Buyer**
 - C. It should be retained by the Seller**
 - D. The title company should keep it**
- 5. Is the agent legally required to advise a buyer about title policy options?**
 - A. Yes, it is against the law not to**
 - B. No, it is optional advice**
 - C. Yes, but only if asked**
 - D. No, it is the buyer's responsibility**

- 6. What typically happens during the closing of a real estate transaction?**
- A. Contracts are renegotiated**
 - B. Ownership of the property is legally transferred**
 - C. Assessments are adjusted**
 - D. New terms are set for rental agreements**
- 7. What is typically included in a purchase agreement?**
- A. The seller's financial history**
 - B. The buyer's credit score**
 - C. Terms of sale including price and contingencies**
 - D. The broker's commission details**
- 8. If a property was built before 1978, what specific addendum is required?**
- A. Walk Through and Acceptance addendum**
 - B. Addendum for asbestos inspection**
 - C. Disclosure of Lead-Base Paint Addendum**
 - D. Addendum for Inspection with Right to Terminate**
- 9. How recent must the Condominium Resale Certificate be when delivered to the buyer?**
- A. 7 days**
 - B. 20 days**
 - C. 6 months**
 - D. 3 months**
- 10. What does "marketable title" mean in real estate transactions?**
- A. A title that is difficult to transfer ownership**
 - B. A title that is free of defects and can be legally sold**
 - C. A title that has multiple claimants**
 - D. A title that is not recorded with the county**

Answers

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

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Explanations

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1. In the context of real estate contracts, what does the term "real property" refer to?

A. Only land

B. Land and personal possessions

C. Land and anything permanently attached to it

D. Land and neighboring properties

The term "real property" specifically refers to land and anything that is permanently attached to that land, such as buildings, structures, and improvements. This definition encompasses not just the physical earth itself, but also all fixtures that are a part of the property, which have been integrated into it in such a way that they are considered permanent. This is why the answer is correct; it encapsulates the full scope of what constitutes real property in legal terms. The other options incorrectly narrow the definition. For example, limiting it to "only land" excludes structures that contribute to the property's value and utility. Including "personal possessions" inaccurately merges real property with moveable assets, which do not fall under the category of real property. Similarly, just referring to "land and neighboring properties" does not adequately capture the legal permanence aspect that is essential to the definition of real property. By understanding this distinction, one can grasp the foundational concepts of real estate law and contractual obligations related to property transactions.

2. What action is typically taken if an agent discovers a zoning violation on a property?

A. Contact the buyer immediately

B. Include the violation in disclosures and inform the client

C. Change the property's listing

D. Seek legal advice without informing the client

When an agent discovers a zoning violation on a property, it is standard practice to include this violation in disclosures and to inform the client. This step is vital because it ensures transparency in the transaction, allowing all parties involved to have a clear understanding of the property's legal standing. Zoning violations can significantly affect a property's use, value, and the decisions of prospective buyers, making it imperative for the agent to disclose this information. By informing the client about the zoning violation, the agent maintains ethical standards and compliance with legal obligations to disclose known defects or issues. Such disclosures not only protect the interests of the client but also help to avoid potential legal repercussions that can arise from failing to inform buyers about significant property issues. In comparison, contacting the buyer immediately without proper disclosure or changing the property's listing does not adequately address the ethical responsibility to inform clients about material facts regarding the property. Seeking legal advice without informing the client could create a conflict of interest and undermine the agent-client relationship. Thus, including the violation in disclosures is the most responsible and professional action an agent can take in such a situation.

3. If a Buyer does not tender the option fee within the time limit set in the contract, what happens to their right to terminate under the option?

A. They retain their right to terminate

B. They lose their unrestricted right to terminate

C. The Seller must return the option fee

D. They receive a partial refund

When a Buyer fails to tender the option fee within the specified time limit outlined in the contract, they lose their unrestricted right to terminate the contract. The option fee is a critical component of the option period, serving as consideration for the right to terminate the contract without cause during that specific time frame. If the Buyer does not pay the fee on time, they forfeit this right, meaning they can no longer terminate the contract at their discretion. The option is designed to provide a temporary and conditional right, allowing the Buyer to evaluate the property and the terms of the sale without commitment. However, adherence to the contractual deadlines is essential. Missing the deadline not only impacts the Buyer's right to terminate without reason but may also affect their negotiating power. While the other options mention returning fees or refunds, in the context of the loss of rights associated with the option, they do not apply once the Buyer has failed to meet the deadline for the option fee. Thus, the correct interpretation is that the Buyer loses their unrestricted right to terminate the agreement.

4. What should happen to the earnest money on the Seller's default?

A. It belongs to the Broker

B. It should be returned to the Buyer

C. It should be retained by the Seller

D. The title company should keep it

When a seller defaults on a contract, the earnest money should be returned to the buyer. This is based on the principle that earnest money is a good faith deposit made by the buyer to demonstrate their commitment to the purchase. If the seller fails to fulfill their obligations under the contract, it is generally understood that the buyer should not suffer a financial loss as a result. Returning the earnest money to the buyer acknowledges that they were prepared to proceed with the transaction, and it helps to uphold fair practices in real estate transactions. The other options do not align with standard practices concerning default situations. For instance, the broker is typically not entitled to the earnest money in the event of a seller's default, and it would be unjust for the seller to retain the earnest money when they have not met their contractual obligations. Additionally, while a title company may hold earnest money as part of their escrow duties, they do not have the authority to retain it in a case of seller default; that decision falls to the terms outlined in the contract and applicable laws.

5. Is the agent legally required to advise a buyer about title policy options?

- A. Yes, it is against the law not to**
- B. No, it is optional advice**
- C. Yes, but only if asked**
- D. No, it is the buyer's responsibility**

The correct answer reflects the legal requirement that agents have a duty to inform their clients about essential aspects of a transaction, including title policy options. In many jurisdictions, real estate agents are obligated to provide clients with full disclosure about the elements that might impact their ownership and the legal standing of the property they are considering purchasing. A title policy serves to protect the buyer from any issues related to the title of the property, such as liens, claims, or other legal impediments. If an agent fails to advise the buyer about these options, they may be neglecting their fiduciary duty, which could expose both the agent and the brokerage to legal liabilities. While it could be argued that a buyer might also take the responsibility to inquire about title insurance, the agent's proactive role in offering this information acknowledges that the buyer may not be fully aware of the importance and implications of title policies. This duty goes beyond a mere option; it is a significant part of ensuring that the buyer is making an informed decision in a complex transaction.

6. What typically happens during the closing of a real estate transaction?

- A. Contracts are renegotiated**
- B. Ownership of the property is legally transferred**
- C. Assessments are adjusted**
- D. New terms are set for rental agreements**

During the closing of a real estate transaction, ownership of the property is legally transferred from the seller to the buyer. This process typically involves the finalization of all legal documents required for the transfer, such as the deed, which is a document that officially conveys ownership. The closing is a critical event in the home-buying process, ensuring that all conditions of the contract have been satisfied and that the buyer is fully informed of and accepts the legal obligations associated with the property. While some aspects of a real estate transaction might include renegotiating terms, adjusting assessments, or addressing rental agreements, these actions do not define the specific purpose of a closing. The primary and most significant outcome of the closing is the legal transfer of property ownership, which is the cornerstone of the transaction. This moment signifies the culmination of negotiations and the formal beginning of ownership for the buyer.

7. What is typically included in a purchase agreement?

- A. The seller's financial history**
- B. The buyer's credit score**
- C. Terms of sale including price and contingencies**
- D. The broker's commission details**

A purchase agreement serves as a formal contract outlining the terms of a real estate transaction between a buyer and a seller. Among the essential components included in this document are the terms of the sale, which encompass the purchase price and any contingencies that could affect the completion of the sale. Contingencies may involve conditions such as inspections, financing approvals, or the sale of another property, all of which are crucial for protecting both parties' interests during the transaction. While seller's financial history, buyer's credit score, and broker's commission details may be relevant in the broader context of real estate transactions, they do not generally form part of the purchase agreement itself. The inclusion of terms related to the sale—like the price and contingencies—ensures clarity and legal enforceability, setting a firm foundation for the buying and selling process.

8. If a property was built before 1978, what specific addendum is required?

- A. Walk Through and Acceptance addendum**
- B. Addendum for asbestos inspection**
- C. Disclosure of Lead-Base Paint Addendum**
- D. Addendum for Inspection with Right to Terminate**

When a property was constructed prior to 1978, it is subject to regulations concerning lead-based paint due to the potential health risks it poses, especially to young children and pregnant women. The specific addendum required in these cases is the Disclosure of Lead-Based Paint Addendum. This addendum is designed to ensure that buyers are informed about the presence of lead-based paint and understand the associated risks. It is a legal requirement, as properties built before 1978 may contain lead-based paint, and the addendum serves to protect both the buyer and seller by documenting the disclosure of known lead hazards. Therefore, including this addendum is crucial for compliance with federal law and for safeguarding public health. Other options do not address the specific legal requirements related to lead-based paint. While a walkthrough or acceptance addendum may be relevant in other contexts, they do not pertain to the lead paint regulations. Similarly, the asbestos inspection and the right to terminate addendums focus on different environmental concerns and contractual provisions, making them irrelevant to the specific issue of lead-based paint in homes built before 1978.

9. How recent must the Condominium Resale Certificate be when delivered to the buyer?

- A. 7 days**
- B. 20 days**
- C. 6 months**
- D. 3 months**

The Condominium Resale Certificate must be no more than three months old when it is delivered to the buyer. This requirement ensures that the information provided in the certificate, which includes important details about the condominium's financial status, the governing documents, assessments, and any special conditions affecting the property, is current and relevant to the buyer's decision-making process. Having an up-to-date certificate helps protect the buyer's interests by providing accurate data concerning the property they are considering purchasing. The other time frames, such as six months or longer, do not align with the necessary legal standards for freshness of the information, which is why they are not correct in this context. The three-month limit strikes a balance between providing sufficient time for preparation and ensuring the buyer receives the most relevant and actionable information possible.

10. What does "marketable title" mean in real estate transactions?

- A. A title that is difficult to transfer ownership**
- B. A title that is free of defects and can be legally sold**
- C. A title that has multiple claimants**
- D. A title that is not recorded with the county**

"Marketable title" in real estate transactions refers to a title that is free of defects and can be legally sold without issues that could impede or create disputes over ownership. This means that the property has no liens, claims, or encumbrances that could cause problems for a buyer or restrict their ability to enjoy or transfer the property in the future. A marketable title assures potential buyers that they can obtain ownership without facing legal complications that could arise from unresolved issues. In essence, it signifies a clear and undisputed claim to the property, making it attractive for sale and ensuring a smoother transfer of ownership. The other options highlight situations that typically do not represent a marketable title, such as ownership difficulties, multiple claims, or an unrecorded title, which could raise legal concerns, therefore failing to meet the criteria necessary for the title to be considered marketable.