

PSI New Jersey Real Estate State Practice Exam (Sample)

Study Guide



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Questions

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- 1. Which property type allows a salesperson to prepare a written offer by filling in a pre-approved broker's contract form?**
 - A. Single-family residential**
 - B. Three-family residential**
 - C. Commercial property**
 - D. Vacant land**
- 2. Which of the following is required to become a real estate broker in New Jersey?**
 - A. Completion of a bachelor's degree**
 - B. A passing score on the broker's exam**
 - C. Experience as a property manager**
 - D. Completion of a 150-hour pre-licensure course**
- 3. Which method is typically most useful for establishing the value of a special-purpose building?**
 - A. Cost approach**
 - B. Income approach**
 - C. Sales comparison approach**
 - D. Market analysis**
- 4. What is the maximum allowable commission a real estate licensee can offer, as per state regulations?**
 - A. No limit**
 - B. Set at 3% of sale price**
 - C. Negotiated between parties**
 - D. Must not exceed 6%**
- 5. What minimum lot size should a national company seek if its proposed building is 20,000 square feet?**
 - A. 10,000 square feet**
 - B. 40,000 square feet**
 - C. 80,000 square feet**
 - D. 60,000 square feet**

- 6. If a seller requires a buyer to use a specific title insurance company, is this arrangement legally permissible?**
- A. Yes, it's standard practice**
 - B. No, it's illegal according to RESPA**
 - C. Yes, if disclosed properly**
 - D. No, but it can be negotiated**
- 7. What happens if the buyer refuses to sign an exclusive buyer representation agreement?**
- A. The agent cannot represent them**
 - B. The agreement becomes void**
 - C. The agent may still assist them informally**
 - D. The agent can represent the seller instead**
- 8. What is one consequence a licensee may face for not reporting a crime charge within the required timeframe?**
- A. An immediate loss of license**
 - B. Increased commission fees**
 - C. Legal penalties from the state**
 - D. A warning letter from the commission**
- 9. What is an appraisal?**
- A. A legal document for transferring property**
 - B. An unbiased estimate of a property's market value conducted by a licensed appraiser**
 - C. A list of property defects**
 - D. A report on the neighborhood**
- 10. What type of broker should a salesperson seek to work with if they want to transition into selling industrial properties?**
- A. A general real estate broker**
 - B. An industrial real estate expert**
 - C. A residential property broker**
 - D. A commercial real estate agent**

Answers

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

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Explanations

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1. Which property type allows a salesperson to prepare a written offer by filling in a pre-approved broker's contract form?

A. Single-family residential

B. Three-family residential

C. Commercial property

D. Vacant land

The correct response highlights the specific regulations that govern real estate transactions in New Jersey. A salesperson in a real estate transaction can prepare a written offer using a pre-approved broker's contract form specifically in the case of single-family residential properties. This is due to the simplified procedures and specific guidelines established for residential transactions, which aim to protect buyers and ensure a more straightforward process. In New Jersey, the real estate market has structured rules that allow salespersons to utilize these forms, facilitating ease of use for those unfamiliar with the complex legal language typically found in full contracts. The significance of this is that it streamlines the transaction process for single-family homes, making it more accessible to first-time buyers and other consumers. The other types of properties, such as multi-family residential, commercial properties, and vacant land, typically involve more complex documentation due to their nature and related financing. These property types might require additional legal expertise or unique contract forms tailored to their specific circumstances. Therefore, the regulations are different, leading to a restriction on what salespersons can prepare without additional training or supervision.

2. Which of the following is required to become a real estate broker in New Jersey?

A. Completion of a bachelor's degree

B. A passing score on the broker's exam

C. Experience as a property manager

D. Completion of a 150-hour pre-licensure course

To become a real estate broker in New Jersey, one of the key requirements is to achieve a passing score on the broker's exam. This exam assesses a candidate's understanding of various aspects of real estate law, practices, and regulations specific to New Jersey. Successfully passing this exam demonstrates that the individual has the necessary knowledge and skills to operate as a broker in the state. While other requirements exist, such as specific educational courses or work experience, the passing of the broker's exam is a critical step in ensuring that brokers meet the professional standards expected in the industry. This focus on knowledge and assessment is essential for maintaining the integrity and competency of professionals in the real estate field. So, the requirement of passing the broker's exam is foundational to becoming a licensed real estate broker in New Jersey.

3. Which method is typically most useful for establishing the value of a special-purpose building?

- A. Cost approach**
- B. Income approach**
- C. Sales comparison approach**
- D. Market analysis**

The cost approach is particularly useful for determining the value of a special-purpose building because this method focuses on estimating the cost to replace or reproduce the building, minus any depreciation. Special-purpose properties, such as schools, churches, hospitals, or government buildings, may not regularly sell in the market and often have little comparable sales data that would lend themselves well to the sales comparison approach. Given that these buildings often have unique features or purposes that separate them from standard commercial properties, the cost approach allows appraisers to assess the value based on the specific costs involved in constructing a similar building from scratch. This includes direct costs such as materials and labor, as well as indirect costs like permits and fees. By evaluating what it would take to create the building anew, along with factoring in depreciation, the cost approach provides a clear framework for valuation especially for properties that do not generate income or have sales data readily available. In contrast, the income approach is typically more suitable for investment properties where the cash flow generated by the property is a key factor in its valuation. The sales comparison approach relies on previous sales, which may not be available for unique special-purpose buildings. Market analysis is a broader term that can encompass various assessment methods but does not specifically drill down into valuation.

4. What is the maximum allowable commission a real estate licensee can offer, as per state regulations?

- A. No limit**
- B. Set at 3% of sale price**
- C. Negotiated between parties**
- D. Must not exceed 6%**

The maximum allowable commission a real estate licensee can offer is best described as having no limit. In New Jersey, real estate commissions are typically not regulated by a fixed percentage; instead, they are determined through negotiation between the parties involved in the transaction. This flexibility allows for a variety of commission structures tailored to the specifics of each deal and the preferences of the buyer and seller. A commission could indeed vary significantly depending on factors such as market conditions, the complexity of the transaction, and the specific agreement between the licensee and their client. While certain common practices exist, the absence of a mandated cap provides licensees the freedom to negotiate commissions based on the unique circumstances of their transactions, leading to potentially creative incentives for both sellers and buyers.

5. What minimum lot size should a national company seek if its proposed building is 20,000 square feet?

- A. 10,000 square feet**
- B. 40,000 square feet**
- C. 80,000 square feet**
- D. 60,000 square feet**

A minimum lot size of 40,000 square feet is recommended for a proposed building of 20,000 square feet, considering various factors such as zoning regulations, required setbacks, and parking spaces. Typically, a lot should not only accommodate the building itself but also allow for any required outdoor space, driveways, landscaping, and additional structures that may be necessary for operational purposes. As a general rule, it is prudent to acquire a lot that is at least double the size of the proposed building footprint. This ensures compliance with local zoning laws, which often specify minimum lot dimensions and yard requirements. Furthermore, secure parking facilities are usually mandated, which tend to take up additional space. Therefore, targeting a lot of 40,000 square feet creates a more favorable environment for the building's functionality, contributes to a sustainable layout, and can also enhance the overall aesthetic of the property. Other options would result in insufficient space, potentially resulting in zoning issues or a crowded site that could undermine the overall effectiveness of the business's operations.

6. If a seller requires a buyer to use a specific title insurance company, is this arrangement legally permissible?

- A. Yes, it's standard practice**
- B. No, it's illegal according to RESPA**
- C. Yes, if disclosed properly**
- D. No, but it can be negotiated**

The correct answer highlights that requiring a buyer to use a specific title insurance company is indeed illegal under the Real Estate Settlement Procedures Act (RESPA). RESPA was enacted to protect consumers by ensuring they receive significant disclosures and by preventing kickbacks and unearned fees in the process of settling real estate transactions. Under RESPA, any requirement that mandates a buyer to use a particular title insurance company can create potential conflicts of interest and limit the buyer's freedom to make informed choices about settlement services. Buyers should have the right to choose the title insurance company that best fits their needs. Therefore, any agreement that compels a buyer to use a specific company would violate RESPA's consumer protection standards. Understanding this regulation is crucial for both real estate professionals and consumers to ensure that all parties are aware of their rights and obligations regarding settlement services.

7. What happens if the buyer refuses to sign an exclusive buyer representation agreement?

- A. The agent cannot represent them**
- B. The agreement becomes void**
- C. The agent may still assist them informally**
- D. The agent can represent the seller instead**

If a buyer refuses to sign an exclusive buyer representation agreement, the agent cannot represent them. This agreement is a formal arrangement that establishes a contractual relationship between the buyer and the agent, outlining the responsibilities and expectations on both sides. Without this signed agreement, the agent lacks the legal authority to act on behalf of the buyer in transactions. Representation generally involves fiduciary duties, such as loyalty and confidentiality, which cannot be properly enacted without a formal agreement in place. This ensures that the buyer's interests are prioritized and that the agent is fully committed to their representation. The refusal to sign indicates that the buyer is not ready to enter into this binding agreement, thus preventing the agent from legally representing them in a buyer agency capacity.

8. What is one consequence a licensee may face for not reporting a crime charge within the required timeframe?

- A. An immediate loss of license**
- B. Increased commission fees**
- C. Legal penalties from the state**
- D. A warning letter from the commission**

A licensee may face legal penalties from the state for failing to report a crime charge within the required timeframe because real estate regulations mandate that licensees must report certain legal violations to maintain the integrity of the profession. This requirement is in place to ensure that individuals in the real estate field are held to standards of honesty, accountability, and transparency. When a licensee does not comply with this obligation, it raises concerns about the individual's fitness to practice in the profession. Consequently, the state may impose legal repercussions which can include fines, additional training courses, or other disciplinary actions. This reinforces the importance of adhering to reporting requirements as a vital aspect of maintaining a real estate license. The other choices do not accurately reflect the potential consequences of failing to report a crime charge within the specified timeframe. The immediate loss of a license is typically associated with more severe violations or actions rather than a failure to report, increased commission fees are unrelated to legal compliance, and a warning letter may occur but does not represent the full scope of potential state-level legal penalties that can result from noncompliance.

9. What is an appraisal?

- A. A legal document for transferring property
- B. An unbiased estimate of a property's market value conducted by a licensed appraiser**
- C. A list of property defects
- D. A report on the neighborhood

An appraisal is, fundamentally, an unbiased estimate of a property's market value that is conducted by a licensed appraiser. This process involves a thorough analysis of various factors, including the property's condition, location, and comparable sales in the area. The goal is to provide an objective value that reflects what a knowledgeable buyer would be willing to pay and what a seller would reasonably accept in the market. The role of the appraiser is crucial, as they employ their expertise and local market knowledge to ensure the estimate is fair and accurate. This is especially important in real estate transactions, whether for buying, selling, or refinancing, as lenders typically require an appraisal to ascertain that they are not providing a loan amount that exceeds the property's value. The other options do not accurately define an appraisal. A legal document for transferring property relates more to the processes of deeds and contracts, while a list of property defects would pertain to a property inspection rather than valuation. Similarly, a report on the neighborhood may provide contextual information but does not constitute an appraisal on its own. Thus, option B correctly identifies what an appraisal is and highlights its importance in real estate transactions.

10. What type of broker should a salesperson seek to work with if they want to transition into selling industrial properties?

- A. A general real estate broker
- B. An industrial real estate expert**
- C. A residential property broker
- D. A commercial real estate agent

A salesperson looking to transition into selling industrial properties should seek to work with an industrial real estate expert. This type of broker possesses specialized knowledge and experience specific to the industrial sector, including insights into zoning laws, property valuation, and the unique needs of industrial tenants and buyers. An expert in this field is better equipped to provide guidance on the distinct challenges and opportunities present in industrial transactions, making them an invaluable resource for someone aiming to establish themselves in this niche market. Choosing to work with an industrial expert allows the salesperson to learn from their expertise, gain access to industry contacts, and understand market trends that are specific to industrial real estate. This targeted mentorship is crucial for developing a successful career in this specific type of property sales, as opposed to working with a general or unrelated type of broker, which may not provide the necessary focus or specialized knowledge needed in this field.