

PSI New Jersey Real Estate State Practice Exam (Sample)

Study Guide



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SAMPLE

Questions

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- 1. What principle governs the responsibilities of real estate brokers in New Jersey?**
 - A. Agency law**
 - B. Real property law**
 - C. Common law**
 - D. Contract law**
- 2. Which of the following is TRUE about the treatment of tenant security deposits in New Jersey?**
 - A. They must be held in a separate account**
 - B. They may be used by the landlord for any purpose**
 - C. They are considered the property of the landlord**
 - D. They can be kept in a personal bank account**
- 3. What is a requirement for a broker to collect a commission under an open listing?**
 - A. A written contract with the seller**
 - B. The sale must be finalized immediately**
 - C. The broker's involvement must be proven**
 - D. The seller is under no obligation to accept the offer**
- 4. Which document typically contains the terms of a mortgage loan?**
 - A. Property deed**
 - B. Promissory note**
 - C. Loan application**
 - D. Home inspection report**
- 5. Which option describes a situation where a buyer has a completed contract but discovers he is not of legal age?**
 - A. The contract is entirely valid**
 - B. The contract is void**
 - C. The contract is voidable**
 - D. The contract must be signed by a guardian**

- 6. What does an environmental impact statement assess?**
- A. The history of ownership of the property**
 - B. The potential effects of a proposed real estate development on the environment**
 - C. The zoning regulations applicable to the property**
 - D. The transaction history of the property**
- 7. What type of real estate document typically indicates transfer of ownership?**
- A. Lease agreement**
 - B. Bill of sale**
 - C. Deed**
 - D. Contract for deed**
- 8. The Fair Housing Act primarily prohibits discrimination based on:**
- A. Economic status**
 - B. Sex**
 - C. Age**
 - D. Property type**
- 9. What key feature differentiates a bilateral contract from a unilateral contract?**
- A. Performance obligations of the parties**
 - B. Offers made by both parties**
 - C. Number of party signatures**
 - D. Presence of an option clause**
- 10. What should a listing agent do if an owner wants to list a property for sale "as is"?**
- A. Advise the owner to make necessary repairs**
 - B. Question the seller to any known defects**
 - C. Ignore the request and list the property normally**
 - D. Provide a warranty on the property**

Answers

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

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Explanations

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1. What principle governs the responsibilities of real estate brokers in New Jersey?

- A. Agency law**
- B. Real property law**
- C. Common law**
- D. Contract law**

The principle that governs the responsibilities of real estate brokers in New Jersey is agency law. Agency law defines the relationship between a broker and their clients, outlining the duties brokers owe to their clients, which include loyalty, full disclosure, obedience, confidentiality, and accounting. This legal framework ensures that brokers act in the best interests of their clients while also adhering to regulatory standards and ethical practices in real estate transactions. Agency law is crucial in real estate because it establishes trust and sets clear boundaries for the conduct expected from brokers. By understanding these responsibilities, brokers can navigate their professional relationships more effectively and mitigate potential legal issues that may arise from misrepresentation or conflicts of interest. In contrast, real property law mainly deals with the rights and duties regarding ownership and use of real estate, common law encompasses general laws developed through court decisions rather than statutes, and contract law pertains to the agreements made between parties. While these areas may intersect with the duties of a broker, agency law specifically focuses on the responsibilities and ethical obligations of brokers to their clients.

2. Which of the following is TRUE about the treatment of tenant security deposits in New Jersey?

- A. They must be held in a separate account**
- B. They may be used by the landlord for any purpose**
- C. They are considered the property of the landlord**
- D. They can be kept in a personal bank account**

In New Jersey, tenant security deposits must be held in a separate account, which is a crucial requirement aimed at protecting tenants' funds. This stipulation ensures that the security deposit remains distinct from the landlord's personal or operational funds, minimizing the risk of it being used for unauthorized purposes or being misappropriated. Landlords are mandated to place these deposits in either an interest-bearing account or a regular account at a financial institution within the state, and they must inform tenants about the location and account type where the security deposit is held. This transparency fosters trust between landlords and tenants and is a vital consumer protection measure in the state's real estate practices. The other options do not reflect the legal framework concerning tenant security deposits in New Jersey. For instance, landlords cannot use the deposits for any purpose; they are intended solely to cover damages or unpaid rent. Moreover, security deposits do not belong to the landlord; they are considered the tenant's property held in trust. Finally, keeping the security deposit in a personal bank account contradicts the legal requirement for separate management of such funds.

3. What is a requirement for a broker to collect a commission under an open listing?

- A. A written contract with the seller**
- B. The sale must be finalized immediately**
- C. The broker's involvement must be proven**
- D. The seller is under no obligation to accept the offer**

In the context of an open listing, the correct understanding revolves around the seller's obligations and the nature of the agreement. An open listing allows multiple brokers to be involved in facilitating the sale of a property, and the seller retains the right to sell the property themselves without owing any commission to the brokers. This means that the seller is under no obligation to accept any offers that come from the brokers, reflecting the flexible and non-exclusive nature of an open listing agreement. In this arrangement, if the seller chooses to accept an offer from a broker, then that broker may collect a commission. However, if the seller decides to reject the offers or sells the property independently, they are not obligated to pay a commission, unless it was agreed otherwise in a separate contract. The seller's right to refuse to accept an offer is a key feature of an open listing, which distinguishes it from other types of listings where exclusivity or prior agreements may require payment regardless of the outcome.

4. Which document typically contains the terms of a mortgage loan?

- A. Property deed**
- B. Promissory note**
- C. Loan application**
- D. Home inspection report**

The document that typically contains the terms of a mortgage loan is the promissory note. This legal instrument outlines the borrower's promise to repay the loan to the lender, including specific details such as the loan amount, interest rate, repayment schedule, and the consequences of default. The promissory note is critical not only because it establishes the borrower's obligation but also because it can serve as evidence in a legal setting if disputes arise regarding the mortgage. In contrast, the property deed relates to the ownership of the property itself rather than the loan terms. The loan application is an initial document that a borrower submits to request a mortgage but does not contain the finalized terms of the loan. The home inspection report evaluates the condition of the property and is not involved with the financial terms of the mortgage. Thus, the promissory note is the definitive document that encapsulates the agreement between borrower and lender concerning the mortgage loan's terms.

5. Which option describes a situation where a buyer has a completed contract but discovers he is not of legal age?

- A. The contract is entirely valid**
- B. The contract is void**
- C. The contract is voidable**
- D. The contract must be signed by a guardian**

In this scenario, when a buyer has a completed contract but is not of legal age, the contract is considered voidable. This means that the buyer has the option to affirm or reject the contract due to their age, as they lack the legal capacity to enter into a binding agreement. In many jurisdictions, contracts made by minors (individuals who are not yet of legal age) can be voided at the discretion of the minor. This legal principle exists to protect younger individuals from entering into potentially disadvantageous agreements without sufficient understanding or maturity. The minor may choose to void the contract, thereby releasing themselves from any obligations contained within it. However, this does not mean that the contract is entirely void from the onset; rather, it remains valid until the minor decides to exercise their right to void it. Given this understanding, while options that suggest the contract is entirely void or must be signed by a guardian mischaracterize the nature of the situation, voidability provides the flexibility and legal framework for addressing contracts entered into by minors.

6. What does an environmental impact statement assess?

- A. The history of ownership of the property**
- B. The potential effects of a proposed real estate development on the environment**
- C. The zoning regulations applicable to the property**
- D. The transaction history of the property**

An environmental impact statement (EIS) is a crucial document that evaluates the potential effects of a proposed real estate development or project on the surrounding environment. This includes assessing factors such as air and water quality, wildlife, vegetation, noise levels, and overall ecological health. The purpose of an EIS is to inform decision-makers and the public about the environmental consequences of a proposed action, thereby promoting environmentally responsible development practices and ensuring compliance with environmental regulations. In contrast, the other options focus on aspects unrelated to environmental assessment. The history of ownership of the property relates to title and ownership records, zoning regulations pertain to land-use policies and permissible activities on the property, and transaction history deals with past sales and agreements. None of these elements address the environmental implications that an EIS specifically investigates.

7. What type of real estate document typically indicates transfer of ownership?

- A. Lease agreement**
- B. Bill of sale**
- C. Deed**
- D. Contract for deed**

A deed is the correct answer because it is the primary legal document used to transfer ownership of real property from one party to another. The deed contains the details of the transaction, including the names of the grantor (the seller) and the grantee (the buyer), a description of the property, and the signatures of the involved parties. Upon execution and delivery, the deed signifies that ownership has officially changed hands, and it is often recorded in the county clerk's office to provide public notice of the new ownership. While a lease agreement outlines the terms under which a tenant occupies a property, it does not transfer ownership. A bill of sale pertains to the transfer of personal property rather than real property. Lastly, a contract for deed is an installment sale agreement that might lead to ownership transfer, but actual ownership is not conveyed until all terms are met and the contract is fulfilled. Thus, the deed is the definitive document for indicating ownership transfer in real estate.

8. The Fair Housing Act primarily prohibits discrimination based on:

- A. Economic status**
- B. Sex**
- C. Age**
- D. Property type**

The Fair Housing Act primarily prohibits discrimination based on sex, as well as several other protected characteristics including race, color, religion, national origin, familial status, and disability. The inclusion of sex as a protected category ensures that individuals cannot be treated unfairly in housing transactions due to their gender, which supports the wider goal of promoting equal opportunity in housing. Understanding the significance of this legislation is crucial for real estate professionals to ensure compliance and promote fairness within the housing market. The Fair Housing Act emerged as part of the Civil Rights movement in the 1960s, aiming to eliminate the pervasive discrimination that many groups faced when seeking housing. The other options—economic status, age, and property type—are not covered under this particular legislation in terms of prohibition. While economic status can influence access to housing and might be part of other discussions regarding fair housing policies, it is not a protected class under the Fair Housing Act. Age discrimination can be addressed by other laws, such as the Age Discrimination Act, but it is not a focus of the Fair Housing Act. Similarly, property type does not dictate protections under this law.

9. What key feature differentiates a bilateral contract from a unilateral contract?

A. Performance obligations of the parties

B. Offers made by both parties

C. Number of party signatures

D. Presence of an option clause

A bilateral contract is characterized by the fact that it involves mutual obligations between two parties, meaning both parties commit to fulfilling certain performances. In this type of contract, one party's promise is contingent upon the other party's promise, creating a reciprocal relationship where each party is both a promisor and a promisee. In contrast, a unilateral contract involves only one party making a promise in exchange for an act or performance from another party. This means that only one party is bound to the contract, and fulfillment of the contract depends on the action of the other party, which does not create an obligation for that party to act. Understanding this distinction is crucial in real estate dealings, as it affects how agreements are formed, enforced, and the responsibilities of the involved parties. The clarity in roles provided by a bilateral contract helps foster trust and accountability among parties in various transactions.

10. What should a listing agent do if an owner wants to list a property for sale "as is"?

A. Advise the owner to make necessary repairs

B. Question the seller to any known defects

C. Ignore the request and list the property normally

D. Provide a warranty on the property

When a property owner requests to list their property for sale "as is," the most appropriate action for a listing agent is to question the seller about any known defects. This approach is vital for several reasons. Firstly, agents have a fiduciary duty to their clients, which includes being transparent about the property's condition to potential buyers. By understanding the property's known issues, the agent can adequately inform prospective buyers or include disclaimers in the listing. This transparency helps to manage expectations and reduces potential legal issues that might arise from undisclosed defects after the sale. Secondly, knowing the specifics of any defects allows the listing agent to effectively market the property. While the sellers may want the property sold without making repairs, being aware of significant defects helps the agent provide accurate information that can attract the appropriate buyers who are willing to purchase a property under those conditions. Overall, thoroughly questioning the seller provides essential information that safeguards both the seller's and the agent's interests in the real estate transaction.