

PSI New Jersey Real Estate State Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

This is a sample study guide. To access the full version with hundreds of questions,

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Don't worry about getting everything right, your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 - 45 minutes). Review a handful of questions, reflect on the explanations, and take breaks to retain information better.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning.

7. Use Other Tools

Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly — adapt the tips above to fit your pace and learning style. You've got this!

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Questions

- 1. Under what condition can a property owner's deed restrictions be enforced?**
 - A. If they violate local zoning laws**
 - B. If they are not recorded with the county**
 - C. If they are made public and included in the deed**
 - D. If signed only by the developer**
- 2. 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**
- 3. If a home is purchased for \$275,000 with an 80% loan, what is the buyer's down payment after the seller pays \$5,000 of the closing costs?**
 - A. \$55,000**
 - B. \$50,000**
 - C. \$45,000**
 - D. \$40,000**
- 4. What action is considered a violation of New Jersey License Law when a salesperson is informed of a buyer's intent to subdivide the property?**
 - A. Failing to disclose commission to the buyer**
 - B. Failing to include financing options**
 - C. Disclosing a potential conflict of interest**
 - D. Not informing the seller of the buyer's plans**
- 5. What is required for a real estate contract to be legally enforceable?**
 - A. A verbal agreement between parties**
 - B. The signatures of both parties**
 - C. No need for written documentation**
 - D. A deposit to be made at signing**

- 6. Which of the following actions is NOT prohibited by New Jersey Real Estate Commission rules?**
- A. Firing a new salesperson for poor performance**
 - B. Misrepresenting property values**
 - C. Failing to disclose commission rates**
 - D. Accepting undisclosed referral fees**
- 7. What are municipal liens?**
- A. Claims filed by municipalities against properties for unpaid taxes or fees**
 - B. Documentation of ownership transfers**
 - C. Legal agreements between neighbors regarding property boundaries**
 - D. Financial assessments for residential development**
- 8. What is the primary function of the Real Estate Disclosure Statement?**
- A. To outline the benefits of the property**
 - B. To inform buyers about the condition of the property**
 - C. To determine the selling price**
 - D. To provide closing costs breakdown**
- 9. Under New Jersey Real Estate Commission rules, which obligation is NOT critical for a licensee toward the public?**
- A. Ensuring transparency in transactions**
 - B. Maintaining fiduciary duties to clients**
 - C. Providing accurate market analysis**
 - D. Accepting any reasonable commission offered by a seller**
- 10. What must a seller do if they receive a second offer for a higher price after giving a counteroffer to the first buyer?**
- A. Accept the second offer immediately**
 - B. Inform the first buyer about the new offer**
 - C. Revoke the counter offer to the first buyer**
 - D. Seek to negotiate a better deal with the first buyer**

Answers

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

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Explanations

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1. Under what condition can a property owner's deed restrictions be enforced?

- A. If they violate local zoning laws**
- B. If they are not recorded with the county**
- C. If they are made public and included in the deed**
- D. If signed only by the developer**

The enforcement of a property owner's deed restrictions is primarily dependent on the restrictions being made public and included in the deed. This is because once deed restrictions are recorded with the county, they become part of the public record, allowing anyone who is interested in the property to be aware of these restrictions. When restrictions are included in the deed, they are legally binding on future owners of the property, creating an enforceable obligation for adherence. This is essential for maintaining the intended use, cultural significance, or community standards that the original property owner had in mind when establishing those restrictions. In contrast, if deed restrictions violate local zoning laws, they lack the legal standing necessary for enforcement, as zoning regulations take precedence. If they are not recorded, they may not be enforceable because potential buyers would not have access to that information. Similarly, a deed restriction signed only by the developer without proper recording or inclusion in the deed does not guarantee enforceability against subsequent purchasers. Therefore, making the restrictions public and including them in the deed is crucial for their enforcement.

2. 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.

3. If a home is purchased for \$275,000 with an 80% loan, what is the buyer's down payment after the seller pays \$5,000 of the closing costs?

A. \$55,000

B. \$50,000

C. \$45,000

D. \$40,000

To determine the buyer's down payment, first calculate the loan amount. With an 80% loan on a \$275,000 home, the loan amount is 80% of \$275,000, which is \$220,000. Next, calculate the full down payment before considering the seller's contribution to closing costs. The total down payment required when purchasing the home is the purchase price minus the loan amount. So, the down payment before any contributions is: \$275,000 (purchase price) - \$220,000 (loan amount) = \$55,000. The seller's contribution of \$5,000 towards closing costs does not affect the calculation of the down payment itself, as closing costs are separate from the down payment. Therefore, the down payment remains at \$55,000. This means the correct answer accurately reflects the necessary down payment based on the loan percentage of the home's purchase price, without the closing costs playing any role in adjusting the down payment amount.

4. What action is considered a violation of New Jersey License Law when a salesperson is informed of a buyer's intent to subdivide the property?

A. Failing to disclose commission to the buyer

B. Failing to include financing options

C. Disclosing a potential conflict of interest

D. Not informing the seller of the buyer's plans

Not informing the seller of the buyer's plans to subdivide the property represents a violation of New Jersey License Law because it goes against the duty of loyalty and full disclosure that a real estate salesperson owes to their client, in this case, the seller. When a buyer expresses their intention to alter a property significantly, such as subdividing it, this information could materially affect the seller's decision-making and strategy in the transaction. The salesperson has an ethical and legal obligation to relay pertinent information that could influence the seller's position or interests. Failure to communicate such significant intentions undermines the trust and transparency that are foundational to the real estate profession, potentially harming the seller's interests. The other choices present situations that either do not directly impact the seller's interests or are commonly accepted practices that do not violate license laws in the same way. For instance, not disclosing the commission to the buyer or failing to include financing options does not fulfill the necessary obligation of informing the seller about information that directly affects their property. Disclosing a potential conflict of interest, while important, does not pertain as directly to the matter of the buyer's plans regarding the property's subdivision as the lack of informing the seller does.

5. What is required for a real estate contract to be legally enforceable?

- A. A verbal agreement between parties**
- B. The signatures of both parties**
- C. No need for written documentation**
- D. A deposit to be made at signing**

For a real estate contract to be legally enforceable, the signatures of both parties are fundamental. This requirement establishes mutual assent, indicating that both parties have agreed to the terms and conditions set forth in the contract. Signing a contract signifies that the parties acknowledge and accept their responsibilities and rights, creating a binding legal obligation. While verbal agreements may hold some weight in certain contexts, they are typically not sufficient for real estate contracts due to the Statute of Frauds, which necessitates that contracts related to real estate be in writing. Likewise, a contract does not have to be enforceable without the inclusion of a deposit at signing or similar financial commitments, as these are not essential to validate the contract's legal standing. Hence, the act of signing is the crucial element that provides the necessary enforceability to the real estate agreement.

6. Which of the following actions is NOT prohibited by New Jersey Real Estate Commission rules?

- A. Firing a new salesperson for poor performance**
- B. Misrepresenting property values**
- C. Failing to disclose commission rates**
- D. Accepting undisclosed referral fees**

In the context of New Jersey Real Estate Commission rules, the action of firing a new salesperson for poor performance is not prohibited. Real estate brokerage firms have the right to evaluate the performance of their salespeople and decide how to manage their staff, including the decision to terminate employment when necessary. This action aligns with standard business practices where employers maintain the authority to make staffing decisions based on performance metrics. On the other hand, the other options involve unethical practices that are prohibited and undermine the integrity of real estate transactions. Misrepresenting property values can lead to significant legal consequences due to deception in the marketplace. Failing to disclose commission rates violates transparency regulations meant to protect consumers. Lastly, accepting undisclosed referral fees raises ethical concerns regarding conflicts of interest and transparency. These actions can lead to disciplinary action against a real estate professional, emphasizing the importance of adherence to ethical standards in the industry.

7. What are municipal liens?

- A. Claims filed by municipalities against properties for unpaid taxes or fees**
- B. Documentation of ownership transfers**
- C. Legal agreements between neighbors regarding property boundaries**
- D. Financial assessments for residential development**

Municipal liens are essentially claims or encumbrances that municipalities place on properties when property owners fail to pay certain obligations, most commonly related to unpaid taxes or fees. These liens serve as a legal tool for the municipality to recover amounts owed to them, ensuring that they can collect revenue necessary for public services and infrastructure. When a municipal lien is placed on a property, it can affect the property owner's ability to sell or refinance the property since the lien must typically be satisfied before the transfer of ownership can occur. This legal claim takes priority over many other types of liens and is significant in real estate transactions and ownership rights. Other options do not correctly identify municipal liens; they address different aspects of property rights and ownership or financial obligations that do not relate directly to the municipality's claims on unpaid dues.

8. What is the primary function of the Real Estate Disclosure Statement?

- A. To outline the benefits of the property**
- B. To inform buyers about the condition of the property**
- C. To determine the selling price**
- D. To provide closing costs breakdown**

The primary function of the Real Estate Disclosure Statement is to inform buyers about the condition of the property. This document is intended to provide transparency regarding any known issues or defects related to the property, which can significantly affect a buyer's decision. By sharing critical insights into the property's physical state, such as structural problems, past repairs, environmental hazards, or other material facts, the statement helps buyers make informed choices and promotes trust in the transaction process. This disclosure is crucial in many jurisdictions, as it enhances buyer protection and minimizes the likelihood of disputes arising after the sale. Transparency in these matters encourages responsible real estate practices and helps ensure that buyers are fully aware of what they are purchasing.

9. Under New Jersey Real Estate Commission rules, which obligation is NOT critical for a licensee toward the public?

- A. Ensuring transparency in transactions**
- B. Maintaining fiduciary duties to clients**
- C. Providing accurate market analysis**
- D. Accepting any reasonable commission offered by a seller**

In New Jersey, real estate licensees have various obligations to ensure that they conduct their business ethically and legally. Among these obligations, maintaining fiduciary duties to clients, ensuring transparency in transactions, and providing accurate market analyses are critical. These responsibilities directly impact how licensees serve their clients and the public, fostering trust and upholding the integrity of the real estate profession. The obligation to accept any reasonable commission offered by a seller, while it may be a practical consideration, is not viewed as a critical obligation toward the public in the same way. Instead, commission agreements are often negotiable and can vary based on the services provided and the market context. Therefore, while accepting commission is part of business operations, it does not carry the same significant ethical weight as the other obligations, which are fundamental to protecting client interests and ensuring fair practices in real estate transactions. This distinction is why this option is identified as not critical in the context of the obligations that licensees owe the public.

10. What must a seller do if they receive a second offer for a higher price after giving a counteroffer to the first buyer?

- A. Accept the second offer immediately**
- B. Inform the first buyer about the new offer**
- C. Revoke the counter offer to the first buyer**
- D. Seek to negotiate a better deal with the first buyer**

The seller must revoke the counteroffer to the first buyer if they receive a second offer for a higher price. The reasoning behind this action is that a counteroffer essentially voids the original offer from the first buyer. Once a counteroffer is made, the first buyer is no longer in a position to accept the original terms, but rather must accept, reject, or counter the new terms set forth in the counteroffer. By receiving a second, potentially more lucrative offer, the seller has the right to withdraw their initial counteroffer in order to entertain negotiations with the second interested party. Revoking the counteroffer effectively allows the seller to pursue the higher price without being bound to the terms initially presented to the first buyer. It is also an important part of maintaining a clear and upfront negotiation process, as the seller must communicate their intentions regarding the offers they have received.

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

<https://psi-newjersey.examzify.com>

We wish you the very best on your exam journey. You've got this!