

PSI NEW JERSEY REAL ESTATE STATE PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

**VISIT US ONLINE FOR
THE FULL VERSION STUDY GUIDE**

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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. 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.

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. 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!

Questions

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- 1. What does it mean to 'subordinate' a mortgage?**
 - A. To pay off an existing mortgage completely
 - B. To make a subordinate mortgage lower in priority compared to another mortgage
 - C. To consolidate multiple mortgages into one
 - D. To transfer the mortgage to a new borrower
- 2. According to the Real Estate Licensing Law, what can a real estate licensee offer to a buyer?**
 - A. Increased commission
 - B. Rebate of the commission
 - C. Discounted closing costs
 - D. Referral bonuses
- 3. When a property owner sells their property under pressure due to demographic shifts, this is an example of which unethical practice?**
 - A. Predatory lending
 - B. Redlining
 - C. Blockbusting
 - D. Panic selling
- 4. What are the requirements for a valid real estate contract in New Jersey?**
 - A. Written agreement and notarization
 - B. Mutual consent, consideration, and lawful purpose
 - C. Verbal agreement and broker representation
 - D. Witness signatures and deposit
- 5. 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

- 6. What legal obligation does a seller have when a property is listed with a real estate broker?**
- A. Provide a home warranty
 - B. Disclose known defects
 - C. Allow potential buyers to negotiate
 - D. Sell at a predetermined price
- 7. If Bill's property tax bill is \$980 and he closes the sale on July 15th, how much will he receive back due to prepaid taxes, assuming the seller is responsible for expenses on the closing day?**
- A. \$0
 - B. \$490
 - C. \$440
 - D. \$245
- 8. Which of the following is a violation of a property manager's fiduciary obligations to an owner?**
- A. Accepting a signed lease on the owner's behalf
 - B. Collecting excessive fees from tenants
 - C. Neglecting maintenance requests
 - D. Failing to report crimes on the property
- 9. What clause in a mortgage loan allows a lender to demand immediate repayment if the property is sold?**
- A. Subordination clause
 - B. Alienation clause
 - C. Acceleration clause
 - D. Due-on-sale clause
- 10. What is the key distinction between a closed listing and an open listing?**
- A. A closed listing is exclusive to one broker, while an open listing allows multiple brokers
 - B. Close listings require higher fees than open listings
 - C. A closed listing allows the seller to negotiate, while an open listing does not
 - D. Open listings are for residential properties only

Answers

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

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Explanations

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1. What does it mean to 'subordinate' a mortgage?

- A. To pay off an existing mortgage completely
- B. To make a subordinate mortgage lower in priority compared to another mortgage**
- C. To consolidate multiple mortgages into one
- D. To transfer the mortgage to a new borrower

The term 'subordinate' in the context of mortgages refers to the process of making a subordinate mortgage lower in priority compared to another mortgage. In real estate financing, mortgages are typically ranked in order of priority, which affects the order in which creditors are paid in the event of a default. When a mortgage is subordinated, it means that its claim on the property is made junior to another mortgage or lien; therefore, if the property were to be sold or foreclosed upon, the subordinated mortgage would only be paid after the higher-priority mortgage has been satisfied. This can often occur in restructuring financing arrangements or when new mortgages are taken out against the same property, where the lender may agree to subordinate their position to facilitate the borrower's new financing strategy. In this way, understanding the process and implications of subordination is crucial for both lenders and borrowers, as it directly impacts the risk and return associated with each mortgage in relation to the property securing them.

2. According to the Real Estate Licensing Law, what can a real estate licensee offer to a buyer?

- A. Increased commission
- B. Rebate of the commission**
- C. Discounted closing costs
- D. Referral bonuses

A real estate licensee can offer a rebate of the commission to a buyer as part of the Real Estate Licensing Law regulations in New Jersey. This practice allows the licensee to provide a portion of their commission as a financial benefit to the buyer, which can make buying a property more affordable and appealing. The legality of commission rebates contributes to transparency in real estate transactions and helps foster competitive practices among real estate professionals, ultimately benefitting consumers. Buyers might appreciate this option, as it can lower their overall costs when purchasing a property. Other options like increased commission or referral bonuses may not align with the regulatory framework regarding how commissions and fees are structured. Discounted closing costs, while advantageous for buyers, are typically negotiated separately and may not be directly tied to the licensee's commission structure as rebates are.

3. When a property owner sells their property under pressure due to demographic shifts, this is an example of which unethical practice?

- A. Predatory lending
- B. Redlining
- C. Blockbusting**
- D. Panic selling

When a property owner sells their property under pressure due to demographic shifts, this scenario exemplifies blockbusting. Blockbusting is a practice where real estate agents or agencies persuade property owners to sell their homes at lower prices by instilling fear that minority groups will soon be moving into the neighborhood, thus depreciating property values. This unethical tactic exploits the anxieties of homeowners regarding changing demographics and can lead to a rapid turnover of property ownership in a community. Understanding this concept is crucial for recognizing how demographic changes can be manipulated in real estate transactions, highlighting the importance of ethics in real estate practices to protect both sellers and the integrity of neighborhoods.

4. What are the requirements for a valid real estate contract in New Jersey?

- A. Written agreement and notarization
- B. Mutual consent, consideration, and lawful purpose**
- C. Verbal agreement and broker representation
- D. Witness signatures and deposit

In New Jersey, a valid real estate contract requires several fundamental elements to ensure it is legally enforceable. The primary requirements include mutual consent, consideration, and lawful purpose. Mutual consent refers to the agreement of both parties to the contract, wherein they must fully understand and accept the terms being proposed. This is often evidenced by the signatures of both parties on the contract, indicating that they agree to the terms laid out. Consideration involves something of value that each party brings to the contract. In real estate transactions, this is commonly a monetary exchange, such as an earnest money deposit, but it can also pertain to services or other forms of value exchanged. Lastly, a lawful purpose is essential, meaning that the objectives of the contract must be legal and not violate any state or federal laws. For example, a contract for the sale of property cannot be for illegal uses, such as drug trafficking. Together, these elements form the backbone of a valid real estate contract in New Jersey, ensuring that the agreement is not only recognized by law but also serves a legitimate function in the real estate market. The other options presented do not encompass all these critical requirements or misinterpret the necessary elements, making this option the most comprehensive choice.

5. 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.

6. What legal obligation does a seller have when a property is listed with a real estate broker?

- A. Provide a home warranty
- B. Disclose known defects**
- C. Allow potential buyers to negotiate
- D. Sell at a predetermined price

When a property is listed with a real estate broker, the seller has a legal obligation to disclose known defects. This is crucial in real estate transactions, as it protects buyers from unexpected issues that could affect the property's value or livability. Sellers are required to share any material facts about the property that they are aware of, such as structural problems, plumbing issues, or pest infestations. Failure to disclose these defects can lead to legal consequences, including lawsuits for misrepresentation. This obligation is underpinned by various laws and regulations that aim to promote transparency in real estate transactions, ensuring that buyers can make informed decisions. The other options, while they may be relevant in different contexts, do not encapsulate the primary legal obligation of a seller in relation to defects when working with a broker. Providing a home warranty is generally a value-added service but not a legal requirement. Similarly, while sellers typically engage in negotiations with potential buyers, there is no legal obligation to allow negotiations beyond what is customary in the market. Finally, selling at a predetermined price is not required; pricing strategies can vary widely depending on market conditions and negotiation outcomes.

7. If Bill's property tax bill is \$980 and he closes the sale on July 15th, how much will he receive back due to prepaid taxes, assuming the seller is responsible for expenses on the closing day?

- A. \$0
- B. \$490
- C. \$440**
- D. \$245

When calculating the amount Bill will receive back due to prepaid taxes upon closing on July 15th, it's essential to understand how property taxes are typically assessed and how they are prorated at the time of closing. Property taxes are usually billed annually. If Bill's total property tax bill for the year is \$980, that means he is responsible for paying this entire amount for the year. This breaks down to a monthly tax amount of \$81.67 (\$980 divided by 12 months). Since Bill is closing the sale on July 15th, he will need to pay for the first half of the year up until that date. The first half of the year consists of January through June, totaling six months. Therefore, he will owe taxes for these six months, which amounts to \$490 (\$81.67 multiplied by 6 months). Since the closing occurs on July 15th, the seller is responsible for the taxes incurred on that day, and therefore, only up to half of the July tax is due, which is \$40.83. This means that, technically, Bill has prepaid taxes covering the first half of the year and the seller is covering the remainder of the July tax. When Bill closes, he will already have prepaid

8. Which of the following is a violation of a property manager's fiduciary obligations to an owner?

- A. Accepting a signed lease on the owner's behalf**
- B. Collecting excessive fees from tenants
- C. Neglecting maintenance requests
- D. Failing to report crimes on the property

The correct answer highlights the importance of a property manager's duty to act in the best interests of the property owner. A property manager has a fiduciary responsibility, which requires them to prioritize the owner's interests above their own and to act with loyalty, care, and full disclosure. Accepting a signed lease on the owner's behalf can be seen as overstepping authority unless explicitly permitted by the owner. This action could lead to decisions that do not align with the owner's expectations or interests, such as entering into unfavorable lease terms without full consultation or consent. On the other hand, the collection of excessive fees from tenants, neglecting maintenance requests, and failing to report crimes all contribute to poor property management practices and can harm the reputation or profitability of the property. However, they do not directly relate to the fiduciary duties since they also reflect on the overall management approach rather than a specific breach of trust or authority concerning the owner's explicit instructions. Thus, accepting a signed lease without the owner's consent is a clear violation of fiduciary obligations, as it undermines the trust essential in the property manager-owner relationship.

9. What clause in a mortgage loan allows a lender to demand immediate repayment if the property is sold?

- A. Subordination clause
- B. Alienation clause**
- C. Acceleration clause
- D. Due-on-sale clause

The due-on-sale clause is a standard provision in mortgage agreements that allows lenders to demand full repayment of the loan if the property is sold or transferred to a new owner. This clause serves as a protective measure for lenders, ensuring that they can reassess the risk associated with their loan whenever the property changes hands. When a property is sold, the lender may not want the new owner to take over the loan terms, especially if the market conditions or borrower profiles have changed significantly since the loan was originally issued. While the alienation clause and the due-on-sale clause are often used interchangeably, the term "due-on-sale clause" is more specific in its application to the sale or transfer, making it the correct choice in this context. The subordination clause pertains to the priority of liens or claims against the property and does not directly relate to the repayment upon sale. The acceleration clause, on the other hand, allows lenders to demand full payment of the remaining balance in situations of default or other specified conditions, but it is not specifically triggered by the sale of the property. Thus, the specificity of the due-on-sale clause in relation to transactions involving the property makes it the correct answer.

10. What is the key distinction between a closed listing and an open listing?

- A. A closed listing is exclusive to one broker, while an open listing allows multiple brokers**
- B. Close listings require higher fees than open listings
- C. A closed listing allows the seller to negotiate, while an open listing does not
- D. Open listings are for residential properties only

The key distinction between a closed listing and an open listing lies in the exclusivity of the representation. A closed listing, also known as an exclusive listing, is an agreement between a property seller and a single broker, giving that broker the sole right to market and sell the property. In this scenario, the seller is committing to work exclusively with one broker, which often incentivizes the broker to invest significant effort into selling the property, knowing they will be the only one receiving a commission if the sale goes through. In contrast, an open listing allows the property owner to engage multiple brokers simultaneously, meaning any broker can bring a buyer to the table. The seller is not committed to just one agent and can sell the property on their own as well. This arrangement can lead to more competition among brokers to sell the property but may not provide the same level of commitment or marketing efforts as a closed listing. This exclusive nature of a closed listing versus the non-exclusive nature of an open listing is fundamental, making the first choice the accurate answer to the question.

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:

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

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