

PSI Virginia Real Estate Practice Exam (Sample)

Study Guide



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Questions

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- 1. What is true regarding electronic signatures in real estate transactions?**
 - A. They are not legally binding**
 - B. They may require a significant initial investment**
 - C. They are only valid for purchase agreements**
 - D. They do not involve any cost savings**
- 2. What is the primary function of a Deed of Trust in real property transactions?**
 - A. To serve as the sole ownership document**
 - B. To hold naked title for the benefit of the lender**
 - C. To transfer property without financial obligation**
 - D. To initiate foreclosure proceedings**
- 3. What are the essential elements required for a deed to be valid?**
 - A. Signed by the grantee and notarized**
 - B. In writing with a competent grantor and delivery**
 - C. Authenticated by a government official**
 - D. Only needs to be signed by the grantee**
- 4. Which statement best describes a transactional relationship?**
 - A. A close partnership with ongoing personal interaction**
 - B. An arm's length relationship with scripted interactions**
 - C. A personal commitment to mutual success**
 - D. A non-profit collaboration between agents**
- 5. What is the maximum payment for single parties across multiple transactions from the TRF?**
 - A. \$10,000**
 - B. \$20,000**
 - C. \$30,000**
 - D. \$40,000**

- 6. Why is recording a deed important?**
- A. It allows for the deeds to be easily accessed by the public**
 - B. It guarantees the grantor's ownership for life**
 - C. It provides evidence in case of title disputes**
 - D. It increases the value of the property**
- 7. Which group of individuals does the Virginia Real Estate Board primarily consist of?**
- A. All licensed real estate agents**
 - B. Seven members with at least five years' experience and two citizens**
 - C. Only current practicing brokers**
 - D. Members appointed from various industries**
- 8. What is the main purpose of a construction warranty program for a home?**
- A. To cover all costs of home purchase**
 - B. To provide discounted repair and replacement services**
 - C. To ensure homes are built to code**
 - D. To protect against market fluctuations**
- 9. How are property taxes calculated?**
- A. By multiplying mortgage points with equity**
 - B. By factoring in the loan-to-value ratio**
 - C. By multiplying the assessed value by the total property tax rate**
 - D. By dividing the market value of the property by the tax rate**
- 10. What principle suggests that the value of a property is influenced by the potential future benefits to buyers?**
- A. Principle of Demand, Supply, and Desire**
 - B. Principle of Anticipation**
 - C. Principle of Substitution**
 - D. Principle of Balance**

Answers

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

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Explanations

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1. What is true regarding electronic signatures in real estate transactions?

- A. They are not legally binding**
- B. They may require a significant initial investment**
- C. They are only valid for purchase agreements**
- D. They do not involve any cost savings**

In the context of electronic signatures in real estate transactions, the assertion that they may require a significant initial investment is valid as electronic signature solutions often come with costs related to software, training, and implementation. Professionals and firms looking to adopt electronic signature systems may need to invest in technology that supports e-signatures, including various software, security systems, and potentially staff training. While the long-term cost savings can be considerable due to increased efficiency and reduced paperwork, the initial investment can be a barrier for some. The other statements reflect misunderstandings about electronic signatures. They are indeed legally binding under the Electronic Signatures in Global and National Commerce (ESIGN) Act and other relevant laws, meaning option A is incorrect. Furthermore, electronic signatures are not restricted solely to purchase agreements; they can be used for a wide variety of documents in real estate, including leases and disclosures, which makes option C inaccurate. As for cost savings, electronic signatures typically lead to a reduction in the materials and processes needed for traditional handwritten signatures, thus contradicting option D.

2. What is the primary function of a Deed of Trust in real property transactions?

- A. To serve as the sole ownership document**
- B. To hold naked title for the benefit of the lender**
- C. To transfer property without financial obligation**
- D. To initiate foreclosure proceedings**

A Deed of Trust is primarily used in real property transactions to secure a loan, and it involves three parties: the borrower (trustor), the lender (beneficiary), and the third party (trustee). The main function of a Deed of Trust is to hold naked title, which means that the title to the property is transferred to the trustee who holds it on behalf of the lender. This arrangement serves to protect the lender's interest in the property until the borrower fully repays the loan. In this context, "naked title" refers to the title held by the trustee that does not carry the full bundle of rights typically associated with ownership, as it is held for the benefit of the lender. This allows the lender to ensure that, in the event of default by the borrower, the lender can initiate foreclosure proceedings more efficiently. The Deed of Trust serves to establish the lender's security interest in the property, which is critical in real estate financing. The other options do not accurately describe the function of a Deed of Trust. It does not serve solely as an ownership document or transfer property without any financial responsibility. Additionally, while it can facilitate foreclosure proceedings, that is not its primary function; rather, it is a mechanism to

3. What are the essential elements required for a deed to be valid?

- A. Signed by the grantee and notarized**
- B. In writing with a competent grantor and delivery**
- C. Authenticated by a government official**
- D. Only needs to be signed by the grantee**

For a deed to be valid, it must meet specific legal requirements, and one of the most critical aspects is that it be executed in writing. Additionally, the grantor, or the person transferring the property, must be competent, meaning they have the legal capacity to enter into a contract (not a minor, mentally incapacitated, etc.). Delivery of the deed is also essential, as this demonstrates the grantor's intent to transfer ownership to the grantee. The requirements for a deed ensure clarity and legal standing in the transfer of real property. Without being in writing, there would be no tangible evidence of the agreement. Competency of the grantor protects against fraudulent transactions, and proper delivery ensures that the deed is effective and enforceable. Thus, the elements outlined in the correct option effectively encapsulate the foundational legal requirements for a valid deed.

4. Which statement best describes a transactional relationship?

- A. A close partnership with ongoing personal interaction**
- B. An arm's length relationship with scripted interactions**
- C. A personal commitment to mutual success**
- D. A non-profit collaboration between agents**

A transactional relationship is characterized by an arm's length interaction, which means that the parties involved do not engage in a close personal relationship. Instead, the focus is primarily on the specific task or transaction at hand, where interactions are often scripted and formalized. This type of relationship prioritizes efficiency, clarity, and the completion of the transaction over building a personal rapport. The emphasis is on the specific terms and logistics of the transaction rather than on developing a deep, personal connection between the parties. As a result, this structure is commonly found in real estate dealings, where each party's role is clearly defined, and interactions may be standardized to ensure professionalism and adherence to the relevant regulations. In contrast, other types of relationships like close partnerships or those emphasizing personal commitment typically involve deeper engagement and ongoing personal interactions, which diverges from the nature of a transactional relationship. Therefore, the correct choice accurately reflects the essence of how parties operate within a transactional context.

5. What is the maximum payment for single parties across multiple transactions from the TRF?

- A. \$10,000**
- B. \$20,000**
- C. \$30,000**
- D. \$40,000**

The maximum payment for single parties across multiple transactions from the TRF, or the Virginia Real Estate Transaction Recovery Fund, is \$20,000. This fund is designed to protect consumers by providing them with a financial remedy in the event of a wrongful act by a real estate licensee. The limit of \$20,000 applies to a single licensee over all transactions, ensuring that consumers have a safety net while engaging in real estate transactions. This amount is significant as it reflects an effort to balance consumer protection with the sustainability of the fund, making it a valuable resource when issues arise in real estate dealings. Understanding this aspect of the TRF is crucial for real estate professionals, as it underscores their responsibility and the importance of ethical conduct in their transactions.

6. Why is recording a deed important?

- A. It allows for the deeds to be easily accessed by the public**
- B. It guarantees the grantor's ownership for life**
- C. It provides evidence in case of title disputes**
- D. It increases the value of the property**

Recording a deed is important primarily because it provides evidence in case of title disputes. When a deed is recorded in the public records, it serves as an official document that establishes the chain of ownership and helps to protect the rights of the current property owner. If there are any disputes regarding who truly owns the property, having a recorded deed makes it easier to prove ownership and resolve any conflicts that may arise. The process of recording also helps to inform the public, including potential buyers or lenders, about the property's ownership status, thereby enhancing transparency in real estate transactions. While some of the other choices address aspects of the recording process, such as accessibility and public knowledge, the primary significance lies in its role as a safeguard against future disputes regarding property ownership.

7. Which group of individuals does the Virginia Real Estate Board primarily consist of?

- A. All licensed real estate agents**
- B. Seven members with at least five years' experience and two citizens**
- C. Only current practicing brokers**
- D. Members appointed from various industries**

The Virginia Real Estate Board is structured to include a specific composition of members to ensure it effectively oversees and regulates the real estate profession within the state. The correct response highlights that the board consists of seven members, with the requirement that at least five of these members have a minimum of five years' experience in real estate. This unique composition includes practitioners who understand the industry's nuances and challenges, allowing for informed decision-making regarding regulations and practices affecting the real estate market. Furthermore, the inclusion of two citizen members ensures that the perspectives of the general public are represented, which is essential for maintaining transparency and accountability in the real estate sector. Other options, while they may seem plausible, do not accurately reflect the actual makeup of the board. It's important to acknowledge that a diverse representation not only from real estate professionals but also from the general public helps balance interests and promotes effective governance. This structure supports the mission of the Virginia Real Estate Board to protect consumers while fostering a fair and competitive marketplace for real estate transactions.

8. What is the main purpose of a construction warranty program for a home?

- A. To cover all costs of home purchase**
- B. To provide discounted repair and replacement services**
- C. To ensure homes are built to code**
- D. To protect against market fluctuations**

The main purpose of a construction warranty program for a home is to provide discounted repair and replacement services. This type of warranty generally covers various aspects of a home, ensuring that homeowners have access to necessary repairs for issues that may arise due to construction defects or material failures within a specified timeframe after the home is purchased. These warranties give homeowners peace of mind, knowing that if there are significant issues with the structure or systems of their new home—like plumbing, electrical, or structural concerns—they can receive professional assistance to address these problems without bearing the full financial burden. This service-oriented function is critical in maintaining the value of the home and enhancing the overall homeowner experience. The other options focus on aspects that are not the primary goal of a construction warranty program. For instance, while ensuring homes are built to code is critical for safety and legality, this responsibility primarily falls on builders and local building regulations, not the warranty itself. Similarly, protecting against market fluctuations and covering all costs of home purchase are unrelated to the purpose of warranties, which center on the functional integrity of the home rather than financial investment protections.

9. How are property taxes calculated?

- A. By multiplying mortgage points with equity
- B. By factoring in the loan-to-value ratio
- C. By multiplying the assessed value by the total property tax rate**
- D. By dividing the market value of the property by the tax rate

Property taxes are calculated by multiplying the assessed value of the property by the total property tax rate. This process begins with determining the assessed value, which is an estimate of a property's worth typically conducted by local tax authorities. The assessed value is then multiplied by the property tax rate, which is usually expressed in mills (where one mill represents one-tenth of a cent). This method allows local governments to calculate the revenue they need to fund public services such as schools, emergency services, and infrastructure maintenance. The other choices do not accurately describe how property taxes are calculated. For instance, multiplying mortgage points with equity does not relate to the property tax calculation, as mortgage points pertain to the loan origination and not property tax assessments. Factoring in the loan-to-value ratio is more significant when discussing mortgages and financing rather than property taxes. Lastly, dividing the market value of the property by the tax rate is a miscalculation; the tax rate is not divided into the market value for tax determination, as the actual formula is a multiplication of assessed value by tax rate.

10. What principle suggests that the value of a property is influenced by the potential future benefits to buyers?

- A. Principle of Demand, Supply, and Desire
- B. Principle of Anticipation**
- C. Principle of Substitution
- D. Principle of Balance

The principle that suggests the value of a property is influenced by the potential future benefits to buyers is the Principle of Anticipation. This principle posits that buyers are willing to pay a premium for properties that they believe will appreciate in value due to expected future benefits, such as developments in the surrounding area, improvements in local amenities, or other factors that can enhance their quality of living or investment return. Essentially, when buyers anticipate that a property will yield greater value in the future, they may assign it a higher current value. This principle is fundamental in real estate as it emphasizes the forward-looking nature of property investment and the importance of market trends and projections in assessing property value. In contrast, the other options focus on different real estate principles. The Principle of Demand, Supply, and Desire relates to how the interplay of these factors affects market pricing in a more immediate context; the Principle of Substitution discusses how a buyer will opt for a similar property if it provides a better price or value; and the Principle of Balance highlights the equilibrium between various market elements, such as supply and demand, rather than the future outlook that drives decisions today.