

Real Estate Contract Practice Test (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. What does "due on sale clause" imply in a mortgage agreement?**
 - A. A stipulation that payments must be made weekly**
 - B. A requirement for the buyer to pay for repairs before sale**
 - C. A provision allowing a lender to demand full repayment of a loan upon the sale of the property**
 - D. A clause guaranteeing a lower interest rate upon resale**
- 2. What does the term "Legality of Object" in contract law mean?**
 - A. A contract must have a lawful purpose**
 - B. A contract must be written**
 - C. A contract must be notarized**
 - D. A contract must include consideration**
- 3. What is meant by the "right of first refusal" in real estate?**
 - A. A requirement to list a property for sale**
 - B. A contractual right allowing a person to purchase property before the seller sells it to another party**
 - C. An obligation for a buyer to secure financing before a sale**
 - D. A limitation on the number of offers a seller can receive**
- 4. What is typically included in an "initial deposit" during a real estate transaction?**
 - A. A complete payment for the property**
 - B. A small percentage of the purchase price**
 - C. Monthly payments for the first year**
 - D. Inspection costs**
- 5. Which term refers to the right of a party to cancel a contract?**
 - A. Rescission**
 - B. Modification**
 - C. Ratification**
 - D. Assignment**

- 6. In a real estate transaction, what does "good faith" obligation refer to?**
- A. The obligation to negotiate in good spirits**
 - B. The expectation that parties will deal honestly and fairly in negotiating the contract**
 - C. The requirement to sign contracts in a timely manner**
 - D. The duty to disclose all financial details of the transaction**
- 7. When is a contract described as "Executed"?**
- A. When it is signed but not performed**
 - B. When all parties have fulfilled their obligations**
 - C. When it is voidable**
 - D. When it is created through actions**
- 8. If a seller breaches a contract, what can the buyer do?**
- A. Negotiate a new agreement**
 - B. Walk away without consequences**
 - C. Seek specific performance or damages**
 - D. Refuse to answer questions from the seller**
- 9. What is a contingency in the context of real estate contracts?**
- A. A prerequisite for obtaining financing**
 - B. A condition that must be met for the contract to be binding**
 - C. A clause that allows renegotiation of terms**
 - D. A requirement for property inspections**
- 10. How is a waiver best defined in legal terms?**
- A. A collective agreement of all parties**
 - B. A unilateral act with legal consequences**
 - C. A formal written agreement**
 - D. An informal acknowledgment**

Answers

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

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Explanations

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1. What does "due on sale clause" imply in a mortgage agreement?

- A. A stipulation that payments must be made weekly**
- B. A requirement for the buyer to pay for repairs before sale**
- C. A provision allowing a lender to demand full repayment of a loan upon the sale of the property**
- D. A clause guaranteeing a lower interest rate upon resale**

In a mortgage agreement, a "due on sale clause" specifically implies that the lender has the right to demand full repayment of the outstanding loan balance when the property is sold. This means that if the borrower sells the property, the lender can call the entire loan amount due immediately, rather than allowing the new buyer to simply take over the existing mortgage. This clause protects the lender's interests by ensuring that the loan is paid off when a property changes hands, eliminating the risk of an unqualified buyer assuming an existing loan. This provision is particularly significant because it can affect the negotiability of the property during sales and may influence both the selling price and the terms of the deal. Buyers and sellers need to be aware of this clause when structuring a sale, as it can complicate transactions if the seller has not factored in the need to pay off the loan. The other options do not accurately reflect the implications of a due on sale clause, as they concern payment schedules, repair obligations, or interest rates, none of which pertain to the lender's rights regarding mortgage repayment upon the sale of a property.

2. What does the term "Legality of Object" in contract law mean?

- A. A contract must have a lawful purpose**
- B. A contract must be written**
- C. A contract must be notarized**
- D. A contract must include consideration**

The term "Legality of Object" in contract law specifically refers to the requirement that a contract must have a lawful purpose. This means that the subject matter of the agreement must not violate any laws or public policy. If a contract involves illegal activities, such as drug trafficking or fraud, it is rendered void and unenforceable from the outset, as courts will not uphold agreements that involve illegal acts. For a contract to be valid, not only must the parties involved have the legal capacity to enter into the agreement, but the purpose of the contract must also be lawful. This principle ensures that the legal system does not support actions or agreements that contravene established laws or ethical standards. Without legality of object, a contract cannot exist in the eyes of the law, as it would lack foundational legitimacy. The other options pertain to different aspects of contract law, such as the necessity of written contracts for certain types of agreements, the role of notarization in providing authenticity (though not always required), and the principle of consideration, which involves the exchange of value. However, none of these directly address the core concept of the legality of the contract's purpose as required by law.

3. What is meant by the "right of first refusal" in real estate?

- A. A requirement to list a property for sale
- B. A contractual right allowing a person to purchase property before the seller sells it to another party**
- C. An obligation for a buyer to secure financing before a sale
- D. A limitation on the number of offers a seller can receive

The "right of first refusal" refers to a contractual right that gives a specific individual or entity the opportunity to purchase a property before the seller can sell it to other potential buyers. This means that if the property owner decides to sell the property, they must first present the offer to the holder of the right of first refusal, allowing them the chance to match or exceed any competing offers. This provision is often included in leases or agreements and serves to protect the interests of the potential buyer by ensuring that they have the first opportunity to acquire the property before anyone else. This concept is particularly valuable in competitive real estate markets, as it provides the holder with leverage and the assurance that they won't be bypassed in favor of other buyers without having a chance to negotiate. The other options describe different aspects of real estate transactions but do not capture the essence of what a right of first refusal entails.

4. What is typically included in an "initial deposit" during a real estate transaction?

- A. A complete payment for the property
- B. A small percentage of the purchase price**
- C. Monthly payments for the first year
- D. Inspection costs

In a real estate transaction, an "initial deposit" is commonly comprised of a small percentage of the purchase price. This deposit, often referred to as earnest money, serves as a demonstration of the buyer's serious intent to purchase the property and is submitted when the purchase agreement is signed. The earnest money helps to assure the seller that the buyer is committed to proceeding with the transaction. If the sale goes through, this deposit is typically applied to the closing costs or down payment, which contributes to the overall purchase price. The amount of the deposit can vary, but it usually ranges from 1% to 5% of the property's purchase price, thus making it a relatively modest upfront commitment for the buyer. In contrast, options such as a complete payment for the property, monthly payments for the first year, or inspection costs do not align with the purpose and structure of an initial deposit in a real estate transaction.

5. Which term refers to the right of a party to cancel a contract?

- A. Rescission**
- B. Modification**
- C. Ratification**
- D. Assignment**

The term that refers to the right of a party to cancel a contract is known as rescission. Rescission allows one or both parties to terminate the contract and revert to their positions prior to entering the agreement. This can be executed in cases where there has been a breach of contract, misrepresentation, or if the contract was deemed voidable due to specific circumstances, such as undue influence or lack of capacity. Understanding rescission is crucial, as it helps parties navigate their legal rights when a contract no longer serves its intended purpose or when it is entered into under false pretenses. The other terms do not pertain to canceling a contract. Modification refers to changing the terms of an existing contract without voiding it. Ratification involves confirming and validating a previously signed agreement, showing that the party approves the contract as is. Assignment is the transfer of rights or obligations under a contract to a third party, which does not cancel the original contract but rather transfers responsibility.

6. In a real estate transaction, what does "good faith" obligation refer to?

- A. The obligation to negotiate in good spirits**
- B. The expectation that parties will deal honestly and fairly in negotiating the contract**
- C. The requirement to sign contracts in a timely manner**
- D. The duty to disclose all financial details of the transaction**

In a real estate transaction, the "good faith" obligation specifically refers to the expectation that parties will deal honestly and fairly during the negotiation and performance of the contract. This concept is foundational in contract law, as it promotes trust and encourages cooperation between the parties involved. When parties engage in negotiations with good faith, they are expected to act with honesty, sincerity, and integrity, which often helps prevent misunderstandings and disputes later on. This obligation does not merely encompass the need for pleasant or positive negotiations, nor does it focus on the timeliness of signing contracts or the extent of financial disclosures. Instead, it emphasizes a moral duty to uphold fair dealing and transparency throughout the entire process, which is essential for maintaining a stable real estate market and ensuring that all parties feel secure and respected in their agreements.

7. When is a contract described as "Executed"?

- A. When it is signed but not performed
- B. When all parties have fulfilled their obligations**
- C. When it is voidable
- D. When it is created through actions

A contract is described as "executed" when all parties have fulfilled their obligations as stipulated in the agreement. This indicates that the terms of the contract have been completed, and both parties have satisfied their responsibilities under the contract's provisions. In practical terms, this means that all promised actions, such as payment and the transfer of goods or services, have been completed, leading to the conclusion of the contractual relationship. Understanding what constitutes an executed contract is crucial as it signifies the successful completion and closure of the agreement, as opposed to a contract that remains open or is still in the process of fulfillment. This distinction is important in real estate transactions, where completion of obligations can affect ownership rights, financial responsibilities, and legal standings among parties.

8. If a seller breaches a contract, what can the buyer do?

- A. Negotiate a new agreement
- B. Walk away without consequences
- C. Seek specific performance or damages**
- D. Refuse to answer questions from the seller

When a seller breaches a contract, the buyer has the legal right to seek specific performance or damages. Specific performance is a remedy that compels the seller to fulfill their obligations under the contract, such as completing the sale of the property as initially agreed. This option is typically pursued in real estate transactions because the property in question is often unique, and monetary compensation may not be sufficient for the buyer. Alternatively, a buyer may opt to seek damages. This means that the buyer can pursue financial compensation for losses incurred due to the seller's breach. This could include costs related to the breach, such as expenses for inspections, appraisals, or the loss of the opportunity to purchase the property, which could contribute to financial loss if prices increase. In contrast, negotiating a new agreement may not address the breach and may simply result in further complications. Walking away without consequences is generally not an option in a breach scenario, as it may leave the buyer without recourse. Refusing to answer questions from the seller does not have any legal relevance to the situation and would not help the buyer address the breach of contract. Hence, seeking specific performance or damages is the appropriate legal action a buyer can take in response to a seller's breach of contract.

9. What is a contingency in the context of real estate contracts?

- A. A prerequisite for obtaining financing**
- B. A condition that must be met for the contract to be binding**
- C. A clause that allows renegotiation of terms**
- D. A requirement for property inspections**

In real estate contracts, a contingency refers to a specific condition or set of conditions that must be satisfied for the contract to become legally binding or for the transaction to proceed. When a contract includes contingencies, it creates a structure that protects the interests of the parties involved. For example, common contingencies may relate to financing, property inspections, or the sale of a previous property. The presence of a contingency ensures that if the required condition is not met, the parties involved can exit the contract without penalties. This is important in real estate transactions as it allows buyers and sellers to manage risks associated with various uncertainties that can arise before closing. While prerequisites for financing, clauses for renegotiation, and requirements for inspections are all components of real estate contracts that can be crucial in the transaction process, they do not encompass the broader definition of a contingency. A contingency specifically denotes a conditional requirement necessary for the contract's enforceability.

10. How is a waiver best defined in legal terms?

- A. A collective agreement of all parties**
- B. A unilateral act with legal consequences**
- C. A formal written agreement**
- D. An informal acknowledgment**

A waiver is best defined as a unilateral act with legal consequences. This means that one party relinquishes a known right or privilege, and this action can affect their legal standing or claims. In many legal contexts, a waiver does not require the agreement or consent of another party; it can be enacted by one party deciding not to enforce a particular right or term in a contract. For instance, if a party to a contract decides not to enforce a late fee provision, they are essentially waiving their right to impose that fee at that time. This unilateral nature is critical, as it highlights that the decision and its implications arise from one party's intention, rather than from an agreement among all involved parties. The other choices do not align with this definition of a waiver. A collective agreement of all parties suggests a mutual consent that contrasts with the individual act inherent in a waiver. A formal written agreement typically involves documentation and can imply a more complex arrangement than what a waiver often requires. Lastly, an informal acknowledgment lacks the specificity and intent needed to create the legal implications associated with a waiver.

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://realestatecontract.examzify.com>

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