

Real Estate Transactions Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

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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. Under what condition would a broker typically earn a commission when a sale does not close?**
 - A. The buyer's inability to obtain financing**
 - B. Seller's failure to provide a marketable title**
 - C. The buyer's readiness, willingness, and ability to close**
 - D. Anticipatory repudiation by the seller**

- 2. Do modifications to real estate contract terms need to be in writing?**
 - A. Only if they involve significant changes**
 - B. No, they can be oral**
 - C. Yes, according to the Statute of Frauds**
 - D. Only for contracts over a certain amount**

- 3. Can a deed be set aside by the grantor if it has been conveyed to a bona fide purchaser (BFP)?**
 - A. Yes, always**
 - B. No, not if it is void**
 - C. Only under certain conditions**
 - D. It depends on the duration of conveyance**

- 4. What is a mortgage best described as?**
 - A. An ownership transfer of real property**
 - B. A security interest in real property for a loan**
 - C. A lease agreement**
 - D. A type of insurance for property**

- 5. In the context of Statute of Frauds, what does 'Part Performance' refer to?**
 - A. Completing all terms of a contract before writing it**
 - B. A party's actions that demonstrate a contract exists**
 - C. Payment of the full purchase price**
 - D. Obtaining financing for the transaction**

- 6. What happens if a Buyer-Grantee assumes the mortgage debt but then defaults?**
- A. The mortgagee must forgive the debt**
 - B. The MR becomes automatically subrogated to the mortgagee's rights**
 - C. The property must be sold immediately**
 - D. The MR loses all rights to the property**
- 7. Are written escrow instructions considered a confirmation of an oral PSA?**
- A. Yes**
 - B. No**
 - C. Only if notarized**
 - D. Only if signed by both parties**
- 8. Which of the following statements is true regarding title defects?**
- A. Title defects can never be cured**
 - B. Title defects can be cured by the seller before closing**
 - C. Buyers should ignore minor title defects**
 - D. Sellers are never responsible for title defects**
- 9. When is a present covenant considered breached?**
- A. When there is an eviction from the property**
 - B. When the deed is delivered**
 - C. When the land is sold to a third party**
 - D. When a lien is placed on the property**
- 10. What distinguishes the buyer's ownership right in a scenario where the title is with the seller but funds are stolen?**
- A. The buyer's rights are unaffected regardless**
 - B. Equitable conversion may assess ownership at the time of theft**
 - C. The buyer always holds title until the transaction completes**
 - D. Buyer loses all rights if funds are taken**

Answers

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

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Explanations

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1. Under what condition would a broker typically earn a commission when a sale does not close?

A. The buyer's inability to obtain financing

B. Seller's failure to provide a marketable title

C. The buyer's readiness, willingness, and ability to close

D. Anticipatory repudiation by the seller

A broker typically earns a commission when a sale does not close primarily due to the buyer's readiness, willingness, and ability to close. This means that if the buyer has fulfilled all conditions necessary to finalize the purchase, such as securing financing and showing intent to proceed with the sale, the broker is entitled to a commission even if the transaction ultimately falls apart. In real estate transactions, brokers often have a contractual agreement with the seller regarding their commission. If a buyer is prepared to close the sale but external factors prevent the completion, the broker's role in facilitating the deal demonstrates their entitlement to compensation. This principle underscores the broker's work in producing a ready buyer, complying with their professional duties to mediate the transaction effectively. The other conditions are generally not favorable for the broker's commission. For instance, if a buyer cannot secure financing, the transaction halts due to circumstances outside the broker's influence, undermining their efforts to earn a commission. Similarly, if the seller does not provide a marketable title or engages in anticipatory repudiation, these issues also imply that the sale cannot proceed, consequently affecting the broker's right to a commission. Thus, the buyer's readiness, willingness, and ability to close stands out as the relevant condition under which

2. Do modifications to real estate contract terms need to be in writing?

A. Only if they involve significant changes

B. No, they can be oral

C. Yes, according to the Statute of Frauds

D. Only for contracts over a certain amount

Modifications to real estate contract terms need to be in writing according to the Statute of Frauds. This legal principle requires certain types of contracts, including those pertaining to the sale of real estate, to be in writing and signed by the parties involved in order to be enforceable. The intent of this requirement is to prevent fraudulent claims and misunderstandings by clearly recording the terms of the agreement. When it comes to real estate transactions, any changes made to the original contract - whether they involve major or minor adjustments - must be documented in writing to ensure they are legally binding. This protects the interests of all parties and helps avoid disputes over verbal agreements or understandings that may not be clear or reliable. This requirement for written modifications ensures that there is clear evidence of the agreed-upon terms, thereby providing certainty and legal security in real estate dealings.

3. Can a deed be set aside by the grantor if it has been conveyed to a bona fide purchaser (BFP)?

- A. Yes, always
- B. No, not if it is void**
- C. Only under certain conditions
- D. It depends on the duration of conveyance

The correct answer, which states that a deed cannot be set aside by the grantor if it has been conveyed to a bona fide purchaser, aligns with established principles of property law. A bona fide purchaser is someone who buys property in good faith, without notice of any other claims or defects in title, and pays an adequate price. The protection afforded to BFPs ensures that once they acquire the property, the grantor typically cannot reclaim or void the deed, provided the transaction itself is not considered void due to factors such as fraud, incapacity, or violation of statutory requirements. Additionally, if the deed itself is deemed void—meaning it has no legal effect from the outset—then it may be set aside. However, this pertains to the inherent validity of the deed rather than the status of the purchaser. Thus, if a deed is valid and has been executed properly, the grantor loses the right to reclaim the property once it is transferred to a bona fide purchaser, which solidifies the security of real estate transactions. The other options fail to recognize the primacy of the BFP's rights in real estate law. Understanding these principles is crucial for navigating real estate transactions effectively.

4. What is a mortgage best described as?

- A. An ownership transfer of real property
- B. A security interest in real property for a loan**
- C. A lease agreement
- D. A type of insurance for property

A mortgage is best described as a security interest in real property for a loan. This means that when a borrower takes out a mortgage, they are using the real estate as collateral for the loan they receive from the lender. In this arrangement, the lender gets a legal claim against the property, which secures their investment and provides them with recourse in the event that the borrower defaults on the loan. This definition emphasizes the relationship between the lender and the borrower, highlighting that the mortgage itself does not transfer ownership of the property to the lender, but instead gives the lender a secured interest in the property until the loan is repaid. Once the loan is fulfilled, the borrower fully owns the property without any liens or claims from the lender. This is distinctly different from ownership transfer, lease agreements, or insurance types, which involve different legal concepts and purposes in real estate transactions. Ownership transfer refers to the process of conveying title from one party to another. A lease agreement involves renting property for a specified period, while property insurance protects against loss or damage to the property itself rather than creating a loan security interest.

5. In the context of Statute of Frauds, what does 'Part Performance' refer to?

- A. Completing all terms of a contract before writing it**
- B. A party's actions that demonstrate a contract exists**
- C. Payment of the full purchase price**
- D. Obtaining financing for the transaction**

'Part Performance' refers to actions taken by a party that demonstrate the existence of a contract, even though the contract has not been formally executed in writing. In real estate transactions, the Statute of Frauds requires certain contracts, such as those for the sale of land, to be in writing to be enforceable. However, if one party begins to perform their obligations under the contract—such as making improvements to the property or making a down payment—this can serve as evidence that a valid agreement exists. Such actions can sometimes create an exception to the writing requirement, allowing a court to enforce the agreement despite the lack of formal documentation. The other options do not accurately capture the essence of 'Part Performance.' Completing all terms of a contract before writing it implies that no actions would be taken without a written agreement, which contradicts the concept of 'Part Performance'. Payment of the full purchase price or obtaining financing alone does not necessarily indicate that the terms of a contract are being performed—these could occur without a contract in place. Therefore, 'Part Performance' is best encapsulated by the idea that a party's actions indicate the existence of a contract.

6. What happens if a Buyer-Grantee assumes the mortgage debt but then defaults?

- A. The mortgagee must forgive the debt**
- B. The MR becomes automatically subrogated to the mortgagee's rights**
- C. The property must be sold immediately**
- D. The MR loses all rights to the property**

When a Buyer-Grantee assumes the mortgage debt and subsequently defaults, the concept of subrogation comes into play. Subrogation allows the mortgagee, or the lender, to step into the shoes of the original mortgagor (the previous owner) to enforce their rights against the property. Essentially, the mortgagee retains their rights to recover the debt and can pursue foreclosure proceedings. In this scenario, because the Buyer-Grantee has assumed the mortgage, they now stand responsible for the debt. Therefore, if the Buyer defaults, the mortgagee has the right to enforce the mortgage agreement, which might lead to foreclosure if the debt remains unpaid. The mortgagee does not lose rights; instead, they can exercise their rights as if the defaulting borrower were still the original mortgagor. The other options would not accurately reflect the legal repercussions of such a default. Option A suggests that the mortgagee must forgive the debt, which does not align with the fundamental principle of a mortgage debt obligation. Option C implies an immediate sale of the property, which does not account for the legal process involved in foreclosure, and option D incorrectly states that the mortgagee loses all rights to the property, which contradicts the principles of mortgage agreements and the rights

7. Are written escrow instructions considered a confirmation of an oral PSA?

- A. Yes**
- B. No**
- C. Only if notarized**
- D. Only if signed by both parties**

Written escrow instructions are not considered a confirmation of an oral Purchase and Sale Agreement (PSA). While oral agreements can be binding under certain circumstances, the specificity and requirements of real estate transactions, particularly those involving escrows, often necessitate written documentation to provide clarity and fulfill legal standards. Written escrow instructions serve as a formalized set of directives given to the escrow agent on how to manage and distribute the funds or documents involved in the transaction. However, these instructions alone do not validate or confirm the existence of an oral PSA, which lacks the formalities and protections that a written agreement provides. In real estate, it's vital to have documentation that captures the full terms and conditions agreed upon by the parties. The importance of written agreements stems from the need to avoid disputes and misinterpretations, which can arise from oral contracts. Thus, without a written PSA that captures the parties' agreement, the written escrow instructions do not serve to confirm any oral terms that may have been discussed. This understanding emphasizes the necessity of formal documentation in real estate transactions to ensure all parties are on the same page and protected under the law.

8. Which of the following statements is true regarding title defects?

- A. Title defects can never be cured**
- B. Title defects can be cured by the seller before closing**
- C. Buyers should ignore minor title defects**
- D. Sellers are never responsible for title defects**

The statement that title defects can be cured by the seller before closing is true. In real estate transactions, title defects refer to any issues that may impair the ability to transfer ownership of a property, such as liens, encumbrances, or inaccuracies in the title record. It is often the seller's responsibility to address these defects prior to closing the sale to ensure that the buyer receives clear and marketable title. Sellers are typically required to disclose known defects and may take necessary actions to remedy these issues, such as paying off liens, obtaining necessary releases, or correcting title documentation. Addressing these defects is essential for closing the transaction smoothly and protecting the buyer's investment. In contrast, the other statements do not align with typical real estate practices. Title defects can indeed be cured, and while buyers should be aware of minor defects, it's not prudent to ignore them entirely. Sellers can be held accountable for title defects, especially if they failed to disclose issues or comply with obligations to resolve them before the transaction concludes.

9. When is a present covenant considered breached?

- A. When there is an eviction from the property
- B. When the deed is delivered**
- C. When the land is sold to a third party
- D. When a lien is placed on the property

A present covenant is a type of promise contained in a deed that provides assurances regarding the ownership and condition of the property at the time the deed is executed. Breach of a present covenant occurs at the time the covenant is not fulfilled, which, in this case, is represented by the delivery of the deed itself. When the deed is delivered, it signifies the transfer of ownership and the assertion of the covenants contained within the deed. If the seller of the property does not hold valid title or if the covenants stated in the deed are false at the time of delivery, the present covenant is breached. This is crucial because it means the grantee has relied on the representations made by the grantor at the moment of this transfer. In contrast, eviction from the property, sale to a third party, or placing a lien on the property generally pertain to future interests or obligations rather than to the conditions under which the deed was delivered. They do not address the immediate assurances given regarding the property's title or condition at the time of conveyance. Therefore, the timing of the breach of a present covenant is directly tied to the delivery of the deed, making that choice the accurate answer.

10. What distinguishes the buyer's ownership right in a scenario where the title is with the seller but funds are stolen?

- A. The buyer's rights are unaffected regardless
- B. Equitable conversion may assess ownership at the time of theft**
- C. The buyer always holds title until the transaction completes
- D. Buyer loses all rights if funds are taken

In the scenario where the title is held by the seller but the buyer has made a purchase agreement, the concept of equitable conversion is key to understanding the buyer's rights. Equitable conversion refers to the doctrine in which, at the moment of entering a valid purchase contract, the buyer is considered the equitable owner of the property, even if the legal title remains with the seller. This means that if funds are stolen either before or during the transaction, the buyer's ownership rights may still be recognized depending on the timing of the theft in relation to when the buyer's rights were established. In practical terms, if a theft occurs after the buyer has entered into the purchase agreement but before the title is transferred, the loss may not affect the buyer's rights because they have an equitable interest in the property. The equitable interest can protect the buyer in a variety of legal circumstances, allowing them to assert claims to the property even if legal ownership has not yet transferred. Therefore, the principle that addresses this situation is equitable conversion and its implications regarding ownership rights at the time of the theft.

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://realestatetransactions.examzify.com>

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

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