

# Texas 30-Hour Principles of Real Estate Practice Exam (Sample)

## Study Guide



**Everything you need from our exam experts!**

**Copyright © 2025 by Examzify - A Kaluba Technologies Inc. product.**

**ALL RIGHTS RESERVED.**

**No part of this book may be reproduced or transferred in any form or by any means, graphic, electronic, or mechanical, including photocopying, recording, web distribution, taping, or by any information storage retrieval system, without the written permission of the author.**

**Notice: Examzify makes every reasonable effort to obtain from reliable sources accurate, complete, and timely information about this product.**

**SAMPLE**

## **Questions**

- 1. What act requires lenders to provide equitable access to credit?**
  - A. Home Mortgage Disclosure Act**
  - B. Equal Credit Opportunity Act**
  - C. Community Reinvestment Act**
  - D. Consumer Financial Protection Act**
- 2. In the context of real estate, what capacity is Emilia acting in when she negotiates between both parties?**
  - A. Buyer's agent**
  - B. An intermediary**
  - C. Transaction coordinator**
  - D. Listing agent**
- 3. A net listing may be used in which type of listing, provided it is legal?**
  - A. Only with exclusive right-to-sell listings**
  - B. Open, exclusive agency, or exclusive right-to-sell listings**
  - C. Exclusive agency listings only**
  - D. Any listing type without restrictions**
- 4. In Texas, how can sales agents receive compensation for real estate services?**
  - A. Directly from clients without a broker**
  - B. Only through their broker**
  - C. By collaborating with other agents**
  - D. A percentage of the sales commission**
- 5. Which best defines real property?**
  - A. Real estate only**
  - B. Real estate and personal property**
  - C. Real estate, plus all of the interests, benefits, and rights included in ownership**
  - D. Land and fixed structures only**

- 6. Which form of business structure often limits personal liability for its members?**
- A. General partnership**
  - B. Limited liability company**
  - C. Corporation**
  - D. Sole proprietorship**
- 7. In what type of property-related situation does a fiduciary duty conflict with obedience?**
- A. When the instruction violates the law**
  - B. When a financial gain is involved**
  - C. When the client requests illegal actions**
  - D. When the client's wishes breach the contract**
- 8. What is the consequence of not maintaining the required coverage under a co-insurance clause?**
- A. Increased premiums**
  - B. Reduced policy payouts**
  - C. Policy cancellation**
  - D. No financial impact**
- 9. If a Texas broker decides to stop using an assumed business name, what is required?**
- A. He must notify the clients**
  - B. He must file for a new license**
  - C. He must notify the commission in writing by the 10th day after stopping use**
  - D. He can continue using the name indefinitely**
- 10. Which of the following is a role of administrative law?**
- A. Creating state laws**
  - B. Enforcing public safety laws**
  - C. Implementing federal laws**
  - D. Establishing private agreements**

## **Answers**

SAMPLE

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

SAMPLE

## **Explanations**

SAMPLE



**1. What act requires lenders to provide equitable access to credit?**

- A. Home Mortgage Disclosure Act**
- B. Equal Credit Opportunity Act**
- C. Community Reinvestment Act**
- D. Consumer Financial Protection Act**

The act that requires lenders to provide equitable access to credit is the Equal Credit Opportunity Act (ECOA). This federal law prohibits discrimination against applicants for credit on the basis of race, color, religion, national origin, sex, marital status, age, or because they receive public assistance. ECOA ensures that all individuals are treated fairly when they apply for credit, aiming to make the lending process more equitable. The Home Mortgage Disclosure Act focuses on transparency in lending, requiring financial institutions to report data about their mortgage lending practices. While this is important for monitoring discrimination, it does not directly require equitable access itself. The Community Reinvestment Act encourages banks to meet the credit needs of the communities in which they operate, particularly low- and moderate-income neighborhoods. However, it does not enforce non-discrimination in the same way that ECOA does. The Consumer Financial Protection Act established the Consumer Financial Protection Bureau (CFPB) to oversee financial products and services to ensure they are safe and fair, but it does not specifically mandate equitable access to credit like the Equal Credit Opportunity Act does.

**2. In the context of real estate, what capacity is Emilia acting in when she negotiates between both parties?**

- A. Buyer's agent**
- B. An intermediary**
- C. Transaction coordinator**
- D. Listing agent**

When Emilia negotiates between both parties, she is acting as an intermediary. In real estate transactions, an intermediary serves as a neutral party who facilitates communication and negotiations between the buyer and the seller without representing either party exclusively. This role is particularly significant in Texas, where licensed real estate professionals can act in this capacity as outlined by state law. By acting as an intermediary, Emilia is ensuring that both parties' interests are represented while maintaining fairness and transparency throughout the negotiation process. This capacity requires a thorough understanding of the needs and positions of both sides and the ability to mediate favorable outcomes without favoring one party over the other. In contrast, when acting as a buyer's agent, Emilia would solely represent the interests of the buyer, focusing on obtaining the best deal for the buyer while disregarding the seller's interests. As a transaction coordinator, her role would pertain to managing the logistical aspects of the transaction rather than directly negotiating. Lastly, as a listing agent, she would represent the seller's interests in the sale of the property. Thus, by acting as an intermediary, Emilia is uniquely positioned to foster constructive dialogue between both parties, which is crucial for successful real estate transactions.

**3. A net listing may be used in which type of listing, provided it is legal?**

- A. Only with exclusive right-to-sell listings**
- B. Open, exclusive agency, or exclusive right-to-sell listings**
- C. Exclusive agency listings only**
- D. Any listing type without restrictions**

A net listing can be utilized in various types of real estate listings, and it is legal in many jurisdictions when specific conditions are met. The answer indicates that net listings can be applied to open listings, exclusive agency listings, or exclusive right-to-sell listings, which aligns with how net listings are defined and executed. A net listing is structured so that the seller sets a minimum amount (net) they wish to receive from the sale of the property. The agent's commission is essentially anything above that net amount. This arrangement can be found in all three types of listings mentioned. Open listings allow multiple agents to market the property, and if one successfully finds a buyer, they receive the commission. In exclusive agency listings, the seller maintains the right to sell the property independently while offering a commission to the agent if they secure a buyer. Exclusive right-to-sell listings grant the agent the sole right to sell the property and receive a commission regardless of whether the seller finds the buyer. The legal nuances of net listings often depend on state regulations, and while they can be feasible in several listing types, it's important to ensure they align with local real estate laws and practices. Therefore, the provided answer reflects the flexibility of net listings in various contractual arrangements between

**4. In Texas, how can sales agents receive compensation for real estate services?**

- A. Directly from clients without a broker**
- B. Only through their broker**
- C. By collaborating with other agents**
- D. A percentage of the sales commission**

In Texas, sales agents are allowed to receive compensation for real estate services only through their broker. This regulation is in place to ensure that all transactions are handled within the framework of legal and ethical guidelines established by the Texas Real Estate Commission. Brokers are responsible for overseeing agents' transactions and ensuring compliance with state laws, which helps protect consumers and maintain industry standards. Compensation directly from clients bypasses the broker's role and would violate the legal structure established in Texas for real estate transactions. While collaboration with other agents can occur—often involving split commissions—this is still facilitated through the agents' respective brokers. Additionally, a percentage of the sales commission typically refers to how brokers may compensate their agents after a transaction is closed, but agents must receive this compensation through the broker who holds their license. In summary, having a broker act as the intermediary for transactions is designed to uphold the professionalism and regulatory compliance necessary in the real estate industry.

## 5. Which best defines real property?

- A. Real estate only
- B. Real estate and personal property
- C. Real estate, plus all of the interests, benefits, and rights included in ownership**
- D. Land and fixed structures only

Real property is a comprehensive term that encompasses not only the physical land and structures on it but also all the interests, benefits, and rights that come along with ownership. This means that when someone owns real property, they possess not just the tangible elements like the land and any buildings, but also intangible rights such as the right to sell, lease, or use the property as they see fit, subject to local laws and regulations. This definition emphasizes how ownership includes various legal rights associated with the property, which can significantly affect how the property is used and managed. For instance, a property owner has the right to make decisions regarding the property, borrow against it, or even resell it. This depth of ownership is what makes option C the best choice for defining real property, capturing the full scope of what is involved in property ownership. In contrast, simply stating "real estate only" or focusing on land and fixed structures overlooks the essential legal and economic rights tied to the ownership of the property. Meanwhile, including personal property in the definition dilutes the specificity of what real property entails, which is primarily concerned with real estate and its associated rights. Thus, option C provides the most accurate and complete definition.

## 6. Which form of business structure often limits personal liability for its members?

- A. General partnership
- B. Limited liability company**
- C. Corporation
- D. Sole proprietorship

The limited liability company (LLC) is a popular business structure that provides its members with limited personal liability. This means that, typically, the personal assets of the members are protected from the debts and liabilities of the business. In the case of legal judgments or creditor claims, members' personal property—such as homes and savings—generally cannot be pursued to satisfy those business obligations. This protection is a significant advantage for individuals looking to start a business, as it allows them to take risks and invest in their ventures without the fear of losing their personal assets. An LLC combines the benefits of pass-through taxation, where business income is reported on the members' personal tax returns, with limited liability features similar to those of a corporation. In contrast, other business structures like general partnerships, sole proprietorships, and corporations have different implications for personal liability. General partnerships expose partners to personal liability for all business debts, while sole proprietorships do not provide any liability protection to the owner. Although corporations do limit personal liability, the complexity and regulatory requirements of establishing and maintaining a corporation can be more burdensome compared to the relatively simpler structure of an LLC.

**7. In what type of property-related situation does a fiduciary duty conflict with obedience?**

- A. When the instruction violates the law**
- B. When a financial gain is involved**
- C. When the client requests illegal actions**
- D. When the client's wishes breach the contract**

In real estate practice, a fiduciary duty is the legal and ethical obligation that one party in a relationship has to act in the best interests of another. This duty includes loyalty, confidentiality, and full disclosure. However, there can be situations where these obligations conflict with a client's direct instructions. When a client requests illegal actions, this creates a clear conflict between the fiduciary's duty to obey the client's instructions and the requirement to act within the bounds of the law. Engaging in illegal actions would not only be unethical but could also lead to severe legal consequences for the real estate professional. Therefore, the fiduciary must prioritize their duty to adhere to the law over the obedience to the client, as following such directives would violate legal standards and the ethical guidelines governing their practice. This highlights the importance of understanding that fiduciary responsibilities sometimes necessitate refusing a client's directives, particularly when those directives may lead to unlawful actions.

**8. What is the consequence of not maintaining the required coverage under a co-insurance clause?**

- A. Increased premiums**
- B. Reduced policy payouts**
- C. Policy cancellation**
- D. No financial impact**

The consequence of not maintaining the required coverage under a co-insurance clause directly results in reduced policy payouts. A co-insurance clause typically stipulates that a property must be insured for a certain percentage of its value to receive full compensation in the event of a covered loss. If the property owner fails to insure the property for the minimum required amount, any claim made will be adjusted based on the actual insurance coverage relative to what should have been maintained. This means that when a loss occurs, the insurer calculates the payout based on the proportion of coverage maintained compared to the required coverage, leading to a reduced payout. For example, if a property is worth \$100,000 and the co-insurance requirement is 80%, the owner must carry at least \$80,000 in coverage. If they only carry \$60,000, and a loss occurs, they might only receive compensation for a fraction of the loss, reflecting that they were underinsured. This financial penalty incentivizes property owners to maintain adequate coverage to ensure they can recover the full value of their assets in the event of a disaster. This understanding is crucial for property owners to protect their financial interests effectively.

9. If a Texas broker decides to stop using an assumed business name, what is required?
- A. He must notify the clients
  - B. He must file for a new license
  - C. He must notify the commission in writing by the 10th day after stopping use**
  - D. He can continue using the name indefinitely

When a Texas broker decides to stop using an assumed business name, it is essential to notify the Texas Real Estate Commission in writing. This notification must occur by the 10th day after ceasing the use of that name. The requirement ensures that the commission maintains accurate and up-to-date records of licensed entities and their business names, which is crucial for consumer protection and regulatory compliance. Failing to provide this written notification could lead to confusion in the marketplace, affecting clients and the broker's professional standing. It is also important for maintaining transparency with clients and potential customers about who they are dealing with in real estate transactions. This requirement is in place to uphold the integrity of real estate practice in Texas.

10. Which of the following is a role of administrative law?
- A. Creating state laws
  - B. Enforcing public safety laws
  - C. Implementing federal laws**
  - D. Establishing private agreements

Administrative law plays a crucial role in implementing federal laws by creating detailed regulations and procedures that agencies must follow to enforce those laws. These regulations have the force of law and are necessary for translating broad legislative mandates into specific operational guidelines that ensure compliance with the intent of federal statutes. For instance, when Congress passes a law, it may require federal agencies to develop rules and regulations that address how that law should be executed in practice. These agencies, guided by administrative law, create the necessary frameworks that impact various sectors, from environment regulations to food safety standards. The other options do not accurately reflect the primary responsibility of administrative law. While creating state laws is typically a legislative function, enforcing public safety laws can involve various branches of government but isn't specifically tied to administrative law. Establishing private agreements falls under contract law and personal legal affairs, rather than the realm of administrative law where public interest regulations are prioritized.