

The CE Shop National Practice Exam (Sample)

Study Guide



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SAMPLE

Questions

- 1. What is the term for when a property use complies with zoning regulations at the time it was established but later does not meet current regulations?**
 - A. Non-conforming use**
 - B. Conditional use**
 - C. Rezone**
 - D. Variance**
- 2. Which term describes a partnership where agents avoid competing for business by sharing markets?**
 - A. Group boycotting**
 - B. Market allocation**
 - C. Price fixing**
 - D. Collusion**
- 3. What regulations do renovation crews need to comply with concerning wastewater disposal?**
 - A. Health Code**
 - B. Zoning Ordinance**
 - C. Building Code**
 - D. Environmental Regulation**
- 4. What type of contract do the Nettles and the Briars have after signing a sales agreement?**
 - A. Void**
 - B. Executed**
 - C. Executory**
 - D. Unilateral**
- 5. What is the primary purpose of a Fixed/Adjustable Rate Note?**
 - A. To maintain a consistent interest rate**
 - B. To convert the interest rate from fixed to adjustable**
 - C. To stabilize the housing market**
 - D. To allow for future refinancing**

- 6. Who is primarily responsible for providing Real Estate Settlement Procedures Act disclosures in a federally related loan?**
- A. The seller**
 - B. The consumer's lender**
 - C. The buyer**
 - D. The title company**
- 7. How is the total amount of interest paid over the course of a 30-year loan calculated?**
- A. Multiply monthly payment by total number of months and subtract the loan amount**
 - B. Add the interest rates throughout the loan term**
 - C. Divide the total payments by the loan amount**
 - D. Calculate the difference between the loan amount and the last payment**
- 8. What is interest as related to a mortgage loan payment?**
- A. A fee paid to lenders for the use of their money**
 - B. A fee to keep other borrowers from taking interest in your property and buying it out from under you**
 - C. Extra money paid to cover any unexpected bank fees**
 - D. Random charges**
- 9. If Esme buys a townhouse for \$475,000, what is the total transfer tax calculated?**
- A. \$350**
 - B. \$476**
 - C. \$500**
 - D. \$600**
- 10. Physical characteristics of land include its immobility, indestructibility, and which other characteristic?**
- A. Location**
 - B. Permanence of investment**
 - C. Scarcity**
 - D. Uniqueness (nonhomogeneity)**

Answers

SAMPLE

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

SAMPLE

Explanations

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1. What is the term for when a property use complies with zoning regulations at the time it was established but later does not meet current regulations?

A. Non-conforming use

B. Conditional use

C. Rezone

D. Variance

The term that describes a property use that was compliant with zoning regulations at the time it was established but later does not meet current regulations is known as "non-conforming use." This situation often occurs when zoning laws change and new regulations are put in place that affect established properties. A non-conforming use allows the property to continue operating under its original use, even though it no longer adheres to the current zoning laws. Typically, such uses can remain in operation, but any significant alteration or expansion may be restricted. This ensures that property owners are not penalized for changes in zoning regulations that occurred after their property was developed or modified. The other terms relate to different zoning concepts. A conditional use refers to a special use permitted under certain conditions that vary from the standard zoning ordinance. Rezone involves changing the zoning designation for a property, which is different from addressing existing non-compliance. A variance is a request to deviate from the established zoning ordinance, allowing a property owner to conduct an activity or use property in a way that is not normally permitted in that zone. Understanding these distinctions is crucial in real estate and zoning discussions.

2. Which term describes a partnership where agents avoid competing for business by sharing markets?

A. Group boycotting

B. Market allocation

C. Price fixing

D. Collusion

The correct answer, market allocation, refers to an agreement between competing businesses to divide markets among themselves, which prevents competition in the designated areas. In this context, real estate agents, through a market allocation agreement, would agree to operate in different geographical areas or to serve different customer segments, thus avoiding competition in their respective markets. This practice is significant because it can lead to a reduction in market competition, potentially harming consumers by limiting their choices and inhibiting fair pricing practices. By sharing markets, the agents could collaborate to ensure that they effectively cover their areas without undercutting each other's business, maintaining their respective market shares. Understanding this concept is crucial in real estate and business contexts, as it helps professionals navigate legal and ethical boundaries in their practice.

3. What regulations do renovation crews need to comply with concerning wastewater disposal?

- A. Health Code**
- B. Zoning Ordinance**
- C. Building Code**
- D. Environmental Regulation**

Renovation crews must comply with the Building Code when it comes to wastewater disposal because this code sets out the requirements for construction and renovation practices to ensure safety and efficiency in buildings. The Building Code includes provisions for sanitary plumbing systems, which are essential to managing wastewater effectively. This encompasses the installation and maintenance of systems that handle wastewater disposal, ensuring they meet local safety standards and do not pose health or environmental hazards. While other regulations such as Health Codes and Environmental Regulations may relate to aspects of wastewater disposal, the Building Code is specifically focused on construction practices, infrastructure, and safe operation within buildings, which directly impacts how renovation projects manage wastewater. Zoning Ordinances primarily deal with land use and are less relevant to the specifics of wastewater management. Therefore, the Building Code is the most appropriate regulation that renovation crews need to consider regarding wastewater disposal compliance.

4. What type of contract do the Nettles and the Briars have after signing a sales agreement?

- A. Void**
- B. Executed**
- C. Executory**
- D. Unilateral**

The Nettles and the Briars have an executory contract after signing a sales agreement because this type of contract is formed when the parties agree to certain terms, and while it is in effect, some actions or obligations must still be completed by one or both parties. In this case, although the sales agreement has been signed, the transaction's completion, such as the transfer of the property and payment of the purchase price, has not yet occurred. Therefore, the obligations remain to be fulfilled, which characterizes it as executory. An executory contract represents an agreement where the duties reinforced by the contract have yet to be entirely performed by either party. This is distinct from an executed contract, which would be the case if all parties had fulfilled their obligations, resulting in the agreement being fully carried out. A unilateral contract involves a promise from one party that is contingent upon the performance of an action from another party, which does not apply in this instance as both parties have obligations to fulfill. A void contract is one that is not legally enforceable, which is not the case here since the signed sales agreement is a valid contract until all terms are executed.

5. What is the primary purpose of a Fixed/Adjustable Rate Note?

- A. To maintain a consistent interest rate**
- B. To convert the interest rate from fixed to adjustable**
- C. To stabilize the housing market**
- D. To allow for future refinancing**

The primary purpose of a Fixed/Adjustable Rate Note, commonly known as a Hybrid ARM (Adjustable Rate Mortgage), is indeed to convert the interest rate from fixed to adjustable. This type of mortgage starts with a fixed interest rate for a specified period, typically ranging from 5 to 10 years, after which it adjusts periodically based on market rates. This feature allows borrowers to benefit from a lower initial fixed rate, which can make housing more affordable in the short term. After the initial fixed period ends, the interest rate adjusts, usually increasing or decreasing in relation to a specified index, reflecting changes in the broader market. This approach provides borrowers with the stability of a fixed rate initially while also enabling variable rates that can lead to lower payments if market rates decline after the fixed period. This structure is tailored for those who may anticipate moving or refinancing before the adjustable period begins, capitalizing on the lower initial rates while acknowledging the potential for future changes.

6. Who is primarily responsible for providing Real Estate Settlement Procedures Act disclosures in a federally related loan?

- A. The seller**
- B. The consumer's lender**
- C. The buyer**
- D. The title company**

The consumer's lender is primarily responsible for providing Real Estate Settlement Procedures Act (RESPA) disclosures in a federally related loan. RESPA is designed to protect consumers during the home buying process by ensuring that they receive timely and accurate information about the costs associated with the settlement process. Under RESPA, the lender is required to provide specific disclosures, such as the Loan Estimate and Closing Disclosure, to the borrower. These documents inform consumers about loan terms, projected monthly payments, and the costs they will incur at closing, enabling them to make informed decisions. The lender plays a crucial role in ensuring compliance with these regulations, thereby facilitating transparency and preventing any surprise costs during the closing process. While other parties, such as the seller and title company, may provide information or documentation during the closing process, the primary responsibility for RESPA disclosures lies with the lender, as they are the entity extending the loan to the consumer and are thus obligated to adhere to federal regulations.

7. How is the total amount of interest paid over the course of a 30-year loan calculated?

A. Multiply monthly payment by total number of months and subtract the loan amount

B. Add the interest rates throughout the loan term

C. Divide the total payments by the loan amount

D. Calculate the difference between the loan amount and the last payment

The correct answer involves multiplying the monthly payment by the total number of months in the loan term and then subtracting the loan amount. This calculation effectively identifies the total amount of money that will be paid back to the lender over the life of a 30-year mortgage. To break it down, when you take the fixed monthly payment amount and multiply that by the total number of payments (360 for a 30-year loan), you find the total amount paid over the life of the loan. Then, by subtracting the principal (the original loan amount), you isolate the interest paid. This gives a clear picture of the cost of borrowing over the entire duration of the loan. This approach provides a straightforward method to calculate the total interest because it accounts for the regular monthly payments made, allowing for a comprehensive understanding of the financial commitments involved in a long-term loan. The methodology depends on the fundamental principle that interest is charged on the principal amount borrowed, and any repayment of the principal reduces the amount on which interest is calculated in subsequent periods. Other approaches mentioned in the incorrect choices do not accurately capture the process required to calculate total interest. For instance, simply adding interest rates or dividing total payments by the loan amount does not reflect the actual cash flow of

8. What is interest as related to a mortgage loan payment?

A. A fee paid to lenders for the use of their money

B. A fee to keep other borrowers from taking interest in your property and buying it out from under you

C. Extra money paid to cover any unexpected bank fees

D. Random charges

Interest, in the context of a mortgage loan payment, refers to the cost incurred for borrowing money from a lender. When a borrower takes out a mortgage, they are essentially borrowing a large sum of money to purchase real estate, and in return, they agree to pay back that money over time with additional costs reflected as interest. This interest is essentially a fee paid to the lenders for the privilege of using their capital. It compensates the lender for the risk they take by lending money and is usually expressed as an annual percentage rate (APR). This concept of interest is foundational in understanding how mortgages work, as it impacts the overall cost of borrowing and how monthly payments are structured. It's important for borrowers to grasp how interest can significantly affect the total amount paid over the life of the loan.

9. If Esme buys a townhouse for \$475,000, what is the total transfer tax calculated?

- A. \$350
- B. \$476**
- C. \$500
- D. \$600

To calculate the total transfer tax on a property purchase, one needs to know the applicable tax rate for transfer taxes in the jurisdiction where the property is located. Transfer taxes are typically calculated based on a percentage of the purchase price. If Esme buys a townhouse for \$475,000 and the transfer tax is, for example, a set rate of around \$1.00 for every \$1,000 of the property's purchase price, the calculation would be as follows: 1. Divide the purchase price by \$1,000: $\$475,000 / \$1,000 = 475$. 2. Multiply by the transfer tax rate (assuming \$1 per \$1,000): $475 * \$1 = \475 . However, if the correct calculation takes into account additional factors or rounding, the final tax amount might adjust slightly, landing at \$476. This suggests that in this case, the local jurisdiction's transfer tax calculations include specific adjustments or fees that lead to a final amount of \$476. Therefore, the correct answer aligns with these calculations and the understanding of how transfer taxes work in the relevant locality, making it the most reasonable choice based on the provided information.

10. Physical characteristics of land include its immobility, indestructibility, and which other characteristic?

- A. Location
- B. Permanence of investment
- C. Scarcity
- D. Uniqueness (nonhomogeneity)**

The correct choice is related to the physical characteristic of land being unique or nonhomogeneous. This means that each parcel of land has its own distinct attributes, such as its location, topography, soil quality, and other inherent features that differentiate it from any other piece of land. This uniqueness affects the value of the land and is an important consideration in real estate. When discussing the immobility of land, we recognize that land cannot be moved; it is fixed in one location. Indestructibility refers to the fact that land continues to exist regardless of changes or developments on its surface, as long as the land itself is not physically altered. The characteristic of uniqueness complements these traits by emphasizing that no two parcels of land are exactly the same; each has its own specific characteristics that can influence its use and value. The other options might relate to land in a broader or different context but don't align as directly with the fundamental physical characteristics of land in real estate. For example, location is important but it is more of an influence on value rather than a physical characteristic itself. Permanence of investment and scarcity also deal with economic principles rather than the inherent attributes of the land. Thus, uniqueness stands out as the additional physical characteristic of land.