

TREC LAW OF AGENCY PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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Table of Contents

Copyright	1
Table of Contents	2
Introduction	3
How to Use This Guide	4
Questions	5
Answers	8
Explanations	10
Next Steps	15

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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. When should disclosure of agency occur in a real estate transaction?**
 - A. At the closing of the transaction
 - B. After a contract is signed
 - C. Very early in the transaction
 - D. Only upon request
- 2. What can Errors and Omissions insurance potentially cover?**
 - A. Property damage
 - B. Agent's commission disputes
 - C. Legal fees and court judgments
 - D. Personal liability claims
- 3. What is the main focus of the "Texas Real Estate Broker License Act"?**
 - A. To regulate real estate commissions
 - B. To outline the rights of tenants
 - C. To detail the qualifications and responsibilities for obtaining a broker's license
 - D. To establish property tax guidelines
- 4. Which of the following is true about a broker's policy manual?**
 - A. It is optional for brokers to have one.
 - B. Every broker must include scope of services in their manual.
 - C. It only needs to be updated annually.
 - D. It must be approved by the Texas Real Estate Commission.
- 5. What is the primary benefit of a "broker open house" for an agency?**
 - A. It enables brokers to meet potential clients directly
 - B. It showcases a property to other agents and encourages networking
 - C. It increases the value of the property listed
 - D. It generates immediate sales offers
- 6. What does 'agency termination' involve?**
 - A. Only the agent can end the relationship
 - B. The conclusion of the agent-principal relationship
 - C. Automatically occurs after a fixed period
 - D. Requires a formal investigation to conclude

- 7. What does the Equal Credit Opportunity Act prohibit in credit transactions?**
- A. Discrimination based on employment history
 - B. Discrimination based on age exclusively
 - C. Discrimination based on various personal characteristics
 - D. Discrimination based on location
- 8. What is the purpose of the TREC Information About Brokerage Services form?**
- A. To provide legal definitions of agency
 - B. To inform consumers about different types of brokerage relationships
 - C. To outline commission splits between agents
 - D. To advertise available properties
- 9. What authority does the listing agreement give to the broker?**
- A. To set the selling price of the property
 - B. To take personal ownership of the property
 - C. To advertise the property and accept earnest money
 - D. To negotiate terms with potential buyers
- 10. What defines an agent in real estate?**
- A. A person responsible for maintaining property
 - B. A person licensed to represent another in business transactions
 - C. An authority that regulates real estate transactions
 - D. A party involved in financing real estate deals

Answers

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

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Explanations

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1. When should disclosure of agency occur in a real estate transaction?

- A. At the closing of the transaction
- B. After a contract is signed
- C. Very early in the transaction**
- D. Only upon request

Disclosure of agency should occur very early in the transaction to ensure that all parties involved understand the nature of the relationship between the agent and the client. This early disclosure helps to establish trust and clarity, allowing the buyer and seller to make informed decisions. It is crucial for agents to explain their role and the duties they owe to their clients, as well as the implications of the agency relationship on the transaction. Waiting until after a contract is signed or during closing could lead to misunderstandings and disputes about the agent's role and responsibilities. Additionally, disclosing agency only upon request could cause confusion for clients who may not know to ask, thereby failing to meet the legal requirements for transparency in real estate transactions. Early disclosure is a best practice and often required by law, reinforcing the importance of clear communication from the outset.

2. What can Errors and Omissions insurance potentially cover?

- A. Property damage
- B. Agent's commission disputes
- C. Legal fees and court judgments**
- D. Personal liability claims

Errors and Omissions (E&O) insurance is designed specifically to protect professionals, including real estate agents, from claims made by clients for inadequate work or negligent actions. This type of insurance can cover legal fees and court judgments that arise from lawsuits related to professional mistakes or failures in service. In particular, E&O insurance typically covers costs associated with defending against claims of negligence, misrepresentation, or failure to disclose important information. As such, when a client feels that they were harmed due to the agent's professional actions, this coverage becomes crucial in managing the financial implications of defending oneself and paying any civil judgments that may result from the case.

3. What is the main focus of the "Texas Real Estate Broker License Act"?

- A. To regulate real estate commissions
- B. To outline the rights of tenants
- C. To detail the qualifications and responsibilities for obtaining a broker's license**
- D. To establish property tax guidelines

The Texas Real Estate Broker License Act primarily focuses on detailing the qualifications and responsibilities necessary for obtaining a broker's license in Texas. This act establishes the framework within which individuals must operate to legally engage in real estate brokerage activities in the state. It specifies the educational requirements, experience, and ethical standards that brokers must meet, ensuring that they are equipped to represent clients effectively and responsibly. By emphasizing these qualifications, the act promotes a standard of professionalism and accountability within the real estate industry, which ultimately protects consumers and enhances the integrity of the profession. The other options do not accurately capture the primary intent of the Act. For instance, regulating real estate commissions pertains to a different aspect of real estate operations, while outlining tenant rights focuses on a separate area of real estate law concerning rental agreements. Establishing property tax guidelines is also outside the scope of the Act, as it deals primarily with taxation rather than licensing and regulation of real estate professionals.

4. Which of the following is true about a broker's policy manual?

- A. It is optional for brokers to have one.
- B. Every broker must include scope of services in their manual.**
- C. It only needs to be updated annually.
- D. It must be approved by the Texas Real Estate Commission.

A broker's policy manual serves as a critical document that outlines the standards, procedures, and scope of services offered by the brokerage. Including a detailed scope of services within the manual is essential for establishing clear expectations among agents and clients about what services the brokerage provides. This part of the manual helps ensure that both the agents and their clients have a mutual understanding of the operations and responsibilities, leading to more effective communication and service delivery. In the context of regulatory compliance, while having a broker's policy manual may be encouraged or recommended, it is not universally mandated for all brokers to include every specific element, such as the approval from the Texas Real Estate Commission. Therefore, the inclusion of a scope of services is particularly important, as it helps structure the operations of the brokerage and complies with best practices in the industry, making the statement that it must be included in the manual true.

5. What is the primary benefit of a "broker open house" for an agency?

- A. It enables brokers to meet potential clients directly
- B. It showcases a property to other agents and encourages networking**
- C. It increases the value of the property listed
- D. It generates immediate sales offers

The primary benefit of a "broker open house" is that it showcases a property to other agents and encourages networking. During this type of event, brokers have the opportunity to present listings to their peers, allowing them to gain valuable insights and feedback about the property. This networking can lead to referrals and joint opportunities, as brokers share ideas and strategies that may benefit their clients. Additionally, by making other agents aware of the listing, it's more likely that they will showcase the property to their own clients, expanding the potential market reach and increasing the chances of a sale. The open house fosters relationships among agents, which is crucial in the collaborative real estate industry. While the other benefits mentioned in the options may seem advantageous, they do not capture the core value derived from a broker open house as effectively as networking and property showcasing.

6. What does 'agency termination' involve?

- A. Only the agent can end the relationship
- B. The conclusion of the agent-principal relationship**
- C. Automatically occurs after a fixed period
- D. Requires a formal investigation to conclude

Agency termination specifically involves the conclusion of the agent-principal relationship. This concept encapsulates the various scenarios in which the relationship between the agent and the principal can come to an end. These can include mutual agreement, fulfillment of the purpose of the agency, expiration of a term, or even decision by either party, among others. Understanding that 'agency termination' is fundamentally about the ending of the relationship helps clarify why the other options do not provide an accurate characterization. For instance, option A incorrectly suggests that only the agent has the authority to end the relationship, ignoring circumstances where the principal can also initiate termination. Option C implies that termination happens automatically at the end of a specified period, which may not encompass all forms of agency that can lead to termination. Lastly, option D introduces the idea of needing a formal investigation, which is not a standard requirement for ending the relationship between an agent and a principal.

7. What does the Equal Credit Opportunity Act prohibit in credit transactions?

- A. Discrimination based on employment history
- B. Discrimination based on age exclusively
- C. Discrimination based on various personal characteristics**
- D. Discrimination based on location

The Equal Credit Opportunity Act (ECOA) was established to ensure that all individuals have equal access to credit and are treated fairly in credit transactions. The act specifically prohibits discrimination in lending based on various personal characteristics, including race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to contract), and the applicant's receipt of public assistance. By prohibiting discrimination based on these characteristics, ECOA aims to create a level playing field in the credit market, allowing individuals to secure loans regardless of personal attributes that are unrelated to their creditworthiness or ability to repay the loan. This comprehensive approach provides protections that help underserved populations gain access to credit which they might otherwise be denied. The other choices focus on more limited or specific bases for discrimination, which do not align with the broader mandates of ECOA. For instance, while age is one of the variables addressed by the ECOA, it is not the sole focus for discrimination. Instead, the emphasis on various personal characteristics captures the full scope of protections afforded under the act. The prohibition of discrimination based on location does not fall under the act's intent, as the focus is on personal characteristics rather than geographic factors.

8. What is the purpose of the TREC Information About Brokerage Services form?

- A. To provide legal definitions of agency
- B. To inform consumers about different types of brokerage relationships**
- C. To outline commission splits between agents
- D. To advertise available properties

The TREC Information About Brokerage Services form is specifically designed to inform consumers about the various types of brokerage relationships that may exist in real estate transactions. This includes clarifying the roles and responsibilities of brokers and agents, as well as how those relationships can affect the consumer's rights and obligations in a transaction. By providing this information, the form helps ensure that consumers are adequately educated about their options in terms of representation, allowing them to make informed decisions when engaging with real estate professionals. This educational aspect of the form is crucial for fostering transparency and trust in the real estate industry.

9. What authority does the listing agreement give to the broker?

- A. To set the selling price of the property
- B. To take personal ownership of the property
- C. To advertise the property and accept earnest money**
- D. To negotiate terms with potential buyers

The listing agreement grants the broker specific powers to represent the seller's interests in the sale of a property. One of the crucial authorities conveyed through this agreement is the ability to advertise the property and accept earnest money from potential buyers. This authority is vital because advertising helps attract potential buyers, while accepting earnest money is a common practice that shows the buyer's commitment to the purchase, often used to demonstrate seriousness in negotiations. In contrast, while negotiating terms with potential buyers is also a critical function of a broker, this is generally included within the broader scope of duties rather than explicitly outlined as an authority granted by the listing agreement. The authority to set the selling price or to take ownership of the property typically remains with the seller. The broker acts as an agent and intermediary, facilitating the transaction while adhering closely to the seller's directives.

10. What defines an agent in real estate?

- A. A person responsible for maintaining property
- B. A person licensed to represent another in business transactions**
- C. An authority that regulates real estate transactions
- D. A party involved in financing real estate deals

The definition of an agent in real estate centers around the relationship they establish with their clients. An agent is specifically a person who is licensed to represent another party in business transactions, particularly in real estate dealings. This representation includes seeking out buyers or sellers, negotiating terms, and facilitating communication and documentation throughout the transaction process. The agent owes fiduciary duties to their clients, including loyalty, confidentiality, and full disclosure, which are fundamental aspects of this relationship. While maintaining property, regulatory authorities, and financing are all components of real estate transactions, they do not encapsulate the role of an agent. The agent's primary function is to act on behalf of their clients, utilizing their expertise and licensing to navigate the complexities of real estate deals effectively. This distinction is crucial for understanding the Agency Law where the roles and responsibilities of agents and their clients are legally defined.

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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:

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

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