

TREC Promulgated Contract Practice Test (Sample)

Study Guide



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SAMPLE

Questions

- 1. Where would a seller list items they wish to keep, such as a refrigerator and custom stained glass window, on TREC Form 20-14?**
 - A. Under Inclusions**
 - B. Under Exclusions**
 - C. Under Annexed Items**
 - D. Under Closing Costs**
- 2. If Jane wants to include a hot tub in her purchase, how should she document it?**
 - A. In the Purchase Agreement**
 - B. As an addendum to the sales contract**
 - C. In a Verbal Agreement**
 - D. By Email Communication**
- 3. Which of the following is NOT included in Addendum 10-6?**
 - A. The earnest money is always refunded**
 - B. The earnest money is never returned**
 - C. Terms agreed upon by both buyer and seller**
 - D. Conditions related to the contract**
- 4. Who ultimately determines the Closing Date in a property transaction?**
 - A. The Title Company**
 - B. The Seller**
 - C. The Buyer**
 - D. The Deed Recording Office**
- 5. In other states, who may have control over environmental areas?**
 - A. The county**
 - B. Municipal governments**
 - C. Federal governmental agencies**
 - D. All of the above**

- 6. What is the purpose of Form 24-14?**
- A. To facilitate commercial property sales**
 - B. For new home sales**
 - C. To handle lease agreements**
 - D. For property management agreements**
- 7. What begins the requirement to make a contract valid when a buyer agrees to purchase a property?**
- A. Offer and acceptance**
 - B. Mutual consent**
 - C. Consideration**
 - D. Written agreement**
- 8. Which alternative experience may assist an applicant in becoming a broker in Texas?**
- A. Experience in real estate finance**
 - B. Currently a licensed broker in another state**
 - C. Attendance in real estate workshops**
 - D. Participation in a mentorship program**
- 9. Aaron, the buyer, tells the seller he is selling the property "as is". What should the buyer insist on before agreeing to the sale?**
- A. A written agreement**
 - B. A thorough inspection**
 - C. Full disclosure**
 - D. A title check**
- 10. Buyer contingencies are typically designed to primarily benefit which party?**
- A. Buyer**
 - B. Seller**
 - C. Both parties equally**
 - D. Neither party**

Answers

SAMPLE

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

SAMPLE

Explanations

SAMPLE

1. Where would a seller list items they wish to keep, such as a refrigerator and custom stained glass window, on TREC Form 20-14?

A. Under Inclusions

B. Under Exclusions

C. Under Annexed Items

D. Under Closing Costs

The area where a seller would list items they wish to keep, such as a refrigerator and custom stained glass window, on TREC Form 20-14 is under Exclusions. This section is specifically designed for items that the seller intends to retain after the property sale. Including such items under Exclusions clarifies that these particular elements will not be part of the transaction and helps prevent any misunderstandings between the buyer and seller regarding what is included in the sale. In contrast, the other sections serve different purposes. Inclusions refer to items that are included in the sale, which would not apply in this case since the seller wants to exclude certain items. Annexed Items typically list fixtures or items that are considered part of the property by default, and Closing Costs detail the financial fees related to the transaction but do not pertain to the physical items maintained by the seller. This understanding ensures clarity in the transaction and safeguards both parties' interests.

2. If Jane wants to include a hot tub in her purchase, how should she document it?

A. In the Purchase Agreement

B. As an addendum to the sales contract

C. In a Verbal Agreement

D. By Email Communication

To properly document Jane's desire to include a hot tub in her purchase, using an addendum to the sales contract is the most appropriate method. An addendum is a formal, written document that is attached to the original sales contract, outlining any changes or additional terms agreed upon by both the buyer and the seller. This method ensures that the inclusion of the hot tub is legally binding and recognized as part of the transaction. Including specific terms in an addendum is essential, as it provides clarity on what is included in the sale, avoids potential disputes, and maintains a clear record of all agreed-upon items. It also allows for the main contract to remain intact while only modifying certain details, such as the addition of a hot tub, making it effective and efficient. The use of written documentation is crucial in real estate transactions to protect the interests of all parties involved. Other methods such as verbal agreements or email communications lack the formal recognition and legal standing that an addendum provides, making them less reliable for documenting important contractual changes.

3. Which of the following is NOT included in Addendum 10-6?

- A. The earnest money is always refunded
- B. The earnest money is never returned**
- C. Terms agreed upon by both buyer and seller
- D. Conditions related to the contract

Addendum 10-6 provides specific terms and conditions related to real estate contracts, particularly concerning earnest money and the conditions surrounding it. The correct answer highlights that the statement about earnest money being never returned is not accurate when it comes to this addendum. In real estate transactions, earnest money typically serves as a good faith deposit, and its treatment can vary based on the terms agreed to in the contract and any applicable addenda. Addendum 10-6 indeed outlines scenarios where earnest money may be refunded, indicating that there are circumstances under which the buyer can receive their earnest money back, which highlights that the blanket statement about it never being returned is incorrect. The other components of the addendum, such as conditions related to the contract and terms agreed upon by both parties, are included to ensure clarity and agreement between the buyer and the seller. Thus, the statement asserting that earnest money is never returned does not reflect the provisions within Addendum 10-6.

4. Who ultimately determines the Closing Date in a property transaction?

- A. The Title Company
- B. The Seller**
- C. The Buyer
- D. The Deed Recording Office

The seller ultimately determines the Closing Date in a property transaction. This is because the seller has control over the timing for when the sale is finalized. While the buyer can express preferences or negotiate terms, and the title company will facilitate the closing process, it is the seller's timeline and requirements that typically dictate when the closing will occur. In practice, the seller's circumstances, such as their need to relocate, their own purchase timelines, or any contingencies related to their sale, can heavily influence the agreed-upon date. Buyers often work with sellers to come to a mutually beneficial date, but ultimately, the seller has the final say. The title company does play a crucial role in the closing process, handling the logistics and paperwork, but it is not the entity that determines the date. The buyer's wishes can certainly be a factor in determining the Closing Date, but they do not have the final authority over it. The Deed Recording Office is primarily responsible for recording the completed transactions and does not influence the agreement on closing dates.

5. In other states, who may have control over environmental areas?

- A. The county**
- B. Municipal governments**
- C. Federal governmental agencies**
- D. All of the above**

Control over environmental areas can indeed be held by various levels of government, and this can vary by state. Understanding the roles of different entities is crucial. Counties can manage local environmental regulations and land use issues, ensuring that land development aligns with environmental protection standards. Municipal governments also play a significant role, often establishing regulations that pertain to local zoning, waste management, and natural resource conservation. Federal governmental agencies, such as the Environmental Protection Agency (EPA), have broad authority to enforce environmental laws and regulate pollutants on a national level, thus influencing state and local policies by setting standards that must be adhered to. They manage vast areas of land, particularly national parks and forests, and enforce compliance with federal environmental laws. Given the overlapping responsibilities of all these government levels—county, municipal, and federal—it is comprehensive to say that control over environmental areas can be exercised by all of them, making the option indicating that all the entities have control the most accurate choice.

6. What is the purpose of Form 24-14?

- A. To facilitate commercial property sales**
- B. For new home sales**
- C. To handle lease agreements**
- D. For property management agreements**

The purpose of Form 24-14 is specifically designed for new home sales. This form is a standardized document that helps streamline the process of purchasing new residential properties. It includes provisions that address the unique aspects of buying a newly constructed home, such as warranties, construction specifications, and completion timelines. The use of such a form ensures that both the buyer and the seller have a clear understanding of their responsibilities and the terms of the transaction, which is particularly important in new home sales where such factors can vary significantly from those in resale transactions. In contrast, the other choices pertain to different types of real estate transactions or agreements that require their own specialized forms or documents. For example, forms for commercial property sales or lease agreements would cater to different legal and financial circumstances than those involved in new home purchases. Similarly, property management agreements focus on the relationship between property owners and managers, detailing responsibilities and compensation structures, which are not relevant to the specifics outlined in Form 24-14.

7. What begins the requirement to make a contract valid when a buyer agrees to purchase a property?

A. Offer and acceptance

B. Mutual consent

C. Consideration

D. Written agreement

The concept of offer and acceptance is fundamental to the formation of a valid contract, especially in real estate transactions. The process begins when one party (the buyer) makes a proposal to purchase property, which is the "offer." For a contract to be valid, the other party (the seller) must agree to the terms outlined in that offer, representing "acceptance." This mutual agreement establishes the intent of both parties to enter into a binding contract. While other elements like mutual consent, consideration, and a written agreement also play crucial roles in formalizing contracts, the initial step that validates the relationship is the offer and acceptance. Without this clear communication of an offer and a corresponding acceptance, there can be no enforceable contract, regardless of the other components that may follow.

8. Which alternative experience may assist an applicant in becoming a broker in Texas?

A. Experience in real estate finance

B. Currently a licensed broker in another state

C. Attendance in real estate workshops

D. Participation in a mentorship program

To become a broker in Texas, one of the significant qualifications is having a substantial amount of relevant experience in the real estate industry. Being currently licensed as a broker in another state provides a valuable foundation for understanding real estate practices, laws, and regulations. This experience gives applicants insights into various brokerage operations and allows them to understand the duties and responsibilities of a broker. Such knowledge can streamline the transition to being a broker in Texas, as many principles and practices are similar, even if the specific laws differ. The other choices, while potentially beneficial, do not offer the same direct advantage as holding an active broker's license in another state. Experience in real estate finance, attendance at workshops, or participation in mentorship programs can enhance a candidate's knowledge but do not replace the comprehensive expertise gained from actively operating as a broker in a different market. Thus, having an active broker's license elsewhere is a strong asset for fulfilling the requirements and expectations placed on prospective brokers in Texas.

9. Aaron, the buyer, tells the seller he is selling the property "as is". What should the buyer insist on before agreeing to the sale?

- A. A written agreement**
- B. A thorough inspection**
- C. Full disclosure**
- D. A title check**

In a real estate transaction where the seller indicates that the property is being sold "as is," it becomes crucial for the buyer to obtain full disclosure regarding the property's condition. This means that the seller should provide any known defects, issues, or relevant information about the property that could affect its value or safety. When a property is sold "as is," it typically implies that the buyer accepts the current state of the property without expecting any repairs or improvements from the seller. Therefore, before moving forward with the sale, the buyer should insist on complete transparency about what issues may exist. Full disclosure helps the buyer make an informed decision, understanding the risks and potential expenses they may incur after the purchase. While a written agreement, a thorough inspection, and a title check are all important elements of a real estate transaction, they do not specifically address the implications of buying a property "as is." The necessity for full disclosure becomes even more critical in such scenarios to ensure that the buyer is aware of any potential hidden problems that could lead to costly repairs or other issues down the line.

10. Buyer contingencies are typically designed to primarily benefit which party?

- A. Buyer**
- B. Seller**
- C. Both parties equally**
- D. Neither party**

Buyer contingencies are provisions included in a purchase contract that allow the buyer to have certain conditions met before they are obligated to proceed with the purchase. These contingencies create a framework intended to protect the buyer's interests by ensuring that they have the opportunity to back out of the deal or renegotiate terms if specific criteria are not met. For example, common buyer contingencies include ones related to financing, inspections, and appraisals. If a financing contingency is included and the buyer cannot secure a loan, they can cancel the contract without penalty. Similarly, if an inspection reveals significant issues with the property, the buyer has the right to request repairs or negotiate the sale price based on those findings. In essence, these contingencies are primarily about securing the buyer's ability to protect their investment and ensure that they are not left in a disadvantageous position after committing to a property purchase. Thus, the design and intent of buyer contingencies are to benefit the buyer primarily in the transaction.