

TREC Sales Agent Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

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SAMPLE

Questions

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- 1. What does "Pre-Approval" indicate in home loans?**
 - A. The lender's willingness to lend a specific amount based on the buyer's financial status**
 - B. The buyer's credit score arrangement**
 - C. A condition that guarantees loan approval**
 - D. A temporary hold on loan processing**
- 2. What is typically required for a borrower to qualify for a Conventional Loan?**
 - A. A lower debt-to-income ratio**
 - B. A higher credit score**
 - C. No prior credit history**
 - D. A co-signer with a lower credit score**
- 3. What should a real estate license holder do if they suspect client misconduct?**
 - A. Ignore the behavior**
 - B. Report it to TREC immediately**
 - C. Inform the client to cease their actions**
 - D. Consult with a supervisor for advice**
- 4. How is "Real Property" defined?**
 - A. Only the land without structures**
 - B. Land and anything permanently attached to it**
 - C. A temporary structure on land**
 - D. Only residential properties**
- 5. What is the statute of limitations for filing a suit for breach of a written contract in Texas?**
 - A. Three years**
 - B. Five years**
 - C. Four years**
 - D. Two years**

- 6. Which of the following is true regarding the Canons of Professional Conduct?**
- A. They are optional for agents.**
 - B. They apply only to brokers.**
 - C. They are enforced by TREC.**
 - D. They only apply during transactions.**
- 7. What can a consumer be awarded in a suit involving the Texas Deceptive Trade Practices Act?**
- A. Only actual damages**
 - B. Maximum punitive damages only**
 - C. Actual damages, court costs, attorney fees, and potential treble damages**
 - D. Just attorney fees**
- 8. What is required of sales agents when a sponsoring broker's license is suspended?**
- A. They may continue their activities unlicensed.**
 - B. They must retake the licensing exam.**
 - C. They must return their licenses to the Real Estate Commission.**
 - D. They can transfer to any other broker immediately.**
- 9. What is meant by "Dual Agency" in real estate transactions?**
- A. When an agent exclusively represents the buyer**
 - B. When an agent represents both the buyer and seller**
 - C. When multiple agents are involved in a transaction**
 - D. When a buyer and seller know each other**
- 10. Under which condition may an unlicensed individual share in the income earned by a real estate broker?**
- A. The individual engages in licensed activities**
 - B. The individual leads the public to believe they are licensed**
 - C. The individual does not participate in any acts requiring a license**
 - D. The individual has a verbal agreement with the broker**

Answers

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

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Explanations

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1. What does "Pre-Approval" indicate in home loans?

- A. The lender's willingness to lend a specific amount based on the buyer's financial status**
- B. The buyer's credit score arrangement
- C. A condition that guarantees loan approval
- D. A temporary hold on loan processing

"Pre-Approval" in home loans signifies that the lender has reviewed the buyer's financial information, including credit history, income, debts, and assets, and is willing to lend a specific amount based on this assessment. This process is more comprehensive than pre-qualification, which may rely on self-reported financial information without verifying documentation. Pre-Approval involves a detailed examination of the buyer's financial circumstances, which helps both the buyer and the seller understand the buyer's borrowing capacity and strengthens the buyer's position when making an offer on a property. In contrast, other options touch on related aspects but don't capture the precise significance of pre-approval. The arrangement of the buyer's credit score is a factor in obtaining pre-approval but does not define what pre-approval itself is. A condition guaranteeing loan approval implies an assurance that all aspects of the loan process have been finalized, which pre-approval does not guarantee. It also does not reflect a temporary hold on loan processing, as pre-approval is independent of loan processing stages. Thus, the definition of pre-approval centers around the lender's willingness to provide a specific loan amount based on the buyer's verified financial profile.

2. What is typically required for a borrower to qualify for a Conventional Loan?

- A. A lower debt-to-income ratio
- B. A higher credit score**
- C. No prior credit history
- D. A co-signer with a lower credit score

To qualify for a Conventional Loan, a higher credit score is typically required because lenders use credit scores to assess a borrower's creditworthiness. A higher credit score indicates that the borrower has a history of managing credit responsibly, which reduces the lender's risk. Conventional loans are often not insured or guaranteed by the government, and therefore, lenders place greater emphasis on the borrower's ability to repay the loan. A credit score above a certain threshold is commonly expected to get favorable loan terms, such as lower interest rates and reduced down payments. The focus on a higher credit score reflects the lender's desire to ensure that borrowers can handle their repayment obligations reliably. This is crucial in a conventional loan scenario where the absence of government backing means lenders need due diligence to protect their investments.

3. What should a real estate license holder do if they suspect client misconduct?

- A. Ignore the behavior**
- B. Report it to TREC immediately**
- C. Inform the client to cease their actions**
- D. Consult with a supervisor for advice**

In situations where a real estate license holder suspects client misconduct, the most appropriate action is to report the behavior to the Texas Real Estate Commission (TREC) immediately. This response reflects the license holder's obligation to adhere to legal and ethical standards within the real estate profession. TREC is responsible for regulating real estate practices and can take necessary actions if misconduct is verified. By reporting the suspected misconduct, the license holder demonstrates a commitment to maintaining integrity in the industry and protects all parties involved, including potential victims of the misconduct. This course of action is crucial for upholding public trust and ensuring proper investigation and enforcement of real estate laws. While consulting with a supervisor can be beneficial, it does not fulfill the legal obligation to report misconduct. Simply instructing the client to cease their actions may not provide a sufficient resolution and could potentially leave the license holder liable for inaction. Ignoring the behavior entirely could lead to further ethical or legal repercussions and would not be aligned with the principles of professional practice.

4. How is "Real Property" defined?

- A. Only the land without structures**
- B. Land and anything permanently attached to it**
- C. A temporary structure on land**
- D. Only residential properties**

"Real Property" is defined as land and anything permanently attached to it. This encompasses not only the physical land itself but also any built structures, such as houses, commercial buildings, fences, and other improvements that are considered a permanent part of the property. The permanency is a critical element of the definition, distinguishing real property from personal property, which includes movable items. This understanding is crucial in real estate as it affects ownership rights, taxation, and responsibilities related to the property. For instance, when purchasing real property, the buyer acquires both the land and any structures on it, which would include rights and liabilities associated with these attachments. By clarifying the nature of real property, it becomes clear why options that define it narrowly, such as only referring to land or temporary structures, do not provide a comprehensive or accurate representation of real property as understood in real estate law.

5. What is the statute of limitations for filing a suit for breach of a written contract in Texas?

- A. Three years**
- B. Five years**
- C. Four years**
- D. Two years**

In Texas, the statute of limitations for filing a suit for breach of a written contract is four years. This period begins from the time when the breach occurs, which means that a party has four years from the date they discover or could have discovered the breach to file a lawsuit. Understanding the statute of limitations is crucial for parties involved in contracts because it sets a definitive time frame within which legal action must be initiated. If a lawsuit is not filed within these four years, the party may be barred from recovering damages related to the breach. This legal timeframe is established to promote timely resolution of disputes and avoid the indefinite threat of lawsuits.

6. Which of the following is true regarding the Canons of Professional Conduct?

- A. They are optional for agents.**
- B. They apply only to brokers.**
- C. They are enforced by TREC.**
- D. They only apply during transactions.**

The Canons of Professional Conduct are a set of ethical guidelines established to govern the behavior of real estate agents in Texas. They are crucial in maintaining professional standards and ensuring that agents act in the best interest of their clients and the public. The reason the statement about enforcement by TREC is accurate is that TREC, the Texas Real Estate Commission, has the authority to enforce these canons. This means that agents who violate these standards can face disciplinary actions, including fines, license suspension, or revocation. It reinforces the accountability of agents in their professional conduct, ensuring they adhere to ethical practices throughout their careers. The other options suggest misunderstandings about the applicability and nature of the Canons. They are mandatory guidelines applicable to all licensed agents, not just optional or limited to brokers or during transactions. This framework establishes a baseline of professionalism expected from all real estate licensees in Texas, regardless of the specific context in which they are operating.

7. What can a consumer be awarded in a suit involving the Texas Deceptive Trade Practices Act?

- A. Only actual damages
- B. Maximum punitive damages only
- C. Actual damages, court costs, attorney fees, and potential treble damages**
- D. Just attorney fees

In a suit involving the Texas Deceptive Trade Practices Act (DTPA), a consumer can be awarded actual damages, court costs, attorney fees, and, if applicable, treble damages. Actual damages compensate the consumer for the actual loss suffered due to the deceptive practices. Court costs and attorney fees ensure that the consumer is not financially burdened by the legal process, encouraging them to pursue legitimate claims. Treble damages can be awarded in cases where the conduct was particularly egregious, providing a strong incentive against deceptive business practices. This comprehensive approach reflects the DTPA's aim to protect consumers from unfair trade practices and to hold businesses accountable for wrongful actions, thereby fostering a fair marketplace.

8. What is required of sales agents when a sponsoring broker's license is suspended?

- A. They may continue their activities unlicensed.
- B. They must retake the licensing exam.
- C. They must return their licenses to the Real Estate Commission.**
- D. They can transfer to any other broker immediately.

When a sponsoring broker's license is suspended, sales agents are required to return their licenses to the Real Estate Commission. This is a necessary step because a suspended broker is not legally able to supervise or manage sales agents, which requires agents to cease their activities under that broker's sponsorship. The regulation protects the integrity of real estate transactions and ensures that agents operate under licensed supervision. Returning the license is part of complying with the regulatory framework that governs real estate practices, which is essential to maintain ethical and legal standards within the industry. Other options, such as continuing activities unlicensed or transferring to another broker immediately, do not align with the legal requirements and responsibilities outlined by real estate regulations. Therefore, the correct response emphasizes the importance of adhering to regulatory protocols following a broker's license suspension.

9. What is meant by "Dual Agency" in real estate transactions?

- A. When an agent exclusively represents the buyer**
- B. When an agent represents both the buyer and seller**
- C. When multiple agents are involved in a transaction**
- D. When a buyer and seller know each other**

The correct meaning of "Dual Agency" in real estate transactions refers to a situation where a single agent represents both the buyer and the seller in the same transaction. This arrangement can lead to complexities and potential conflicts of interest since the agent must balance the interests of two parties with potentially opposing goals—maximizing the sale price for the seller while minimizing the purchase price for the buyer. In many jurisdictions, dual agency requires clear consent from both the buyer and seller, and agents must still adhere to their fiduciary duties to both clients while ensuring fair treatment. Understanding the implications of dual agency is crucial for anyone working in real estate, as it involves navigating ethical considerations and state regulations pertaining to representation in property transactions.

10. Under which condition may an unlicensed individual share in the income earned by a real estate broker?

- A. The individual engages in licensed activities**
- B. The individual leads the public to believe they are licensed**
- C. The individual does not participate in any acts requiring a license**
- D. The individual has a verbal agreement with the broker**

An unlicensed individual may share in the income earned by a real estate broker under the condition that they do not participate in any acts requiring a license. This means that while the unlicensed individual can receive a share of income, they must refrain from engaging in activities that are legally defined as requiring a real estate license, such as listing properties, negotiating contracts, or conducting showings. Instead, their involvement might be limited to activities that support the brokerage without crossing the legal boundaries that necessitate licensure. For instance, they could be involved in administrative duties or other ancillary functions that do not require a real estate license. This condition ensures compliance with legal standards while allowing the broker to benefit from the assistance of non-licensed individuals in non-licensable tasks. This understanding is crucial for both the broker and the individual to avoid potential violations of real estate laws.