MICHIGAN REAL ESTATE SALESPERSON LICENSING – 3 HOUR PSI PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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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.

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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!

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Questions

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1. If charges are filed against a licensee, what is the first step they may attend?

A. An informal hearing

B. A public hearing

C. A formal trial

D. A mediation session

2. If a buyer places a deposit subject to zoning change but does not exercise the option in 90 days, what happens to his option?

A. It automatically extends for another 90 days

B. It remains valid until the property is sold

C. He loses his option unless exercised

D. He can sell his option to another buyer

3. Can a real estate salesperson operate independently without a broker?

A. Yes, with appropriate licensure

B. No, they must work under a licensed broker

C. Yes, but only for limited periods

D. No, unless they are registered as a managing agent

4. Under the principles of the cost approach, which factor is crucial in determining value?

A. Current market trends

B. Replacement costs

C. Neighborhood demographics

D. Loan interest rates

5. How can an owner stop another person from gaining adverse possession over her land?

A. By putting up a fence

B. By giving them permission

C. By either A or B

D. By informing the neighbors

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6. What characterizes a "wraparound mortgage"?

A. A traditional loan requiring full payoff of existing mortgages

B. A type of financing that enables a buyer to assume an existing mortgage

C. A loan that includes home improvement costs

D. A mortgage with a fixed interest rate only

7. What is an example of functional obsolescence?

A. Excessive wear and tear

B. Outdated plumbing

C. Unattractive landscaping

D. Temporary economic downturns

8. Which factor is NOT typically assessed when determining the value of real estate?

A. Location of the property.

B. Property condition.

C. Number of bedrooms.

D. Owner's personal preferences.

9. For a deed to successfully transfer title from one owner to another, what is required?

A. It must be notarized

B. It must be recorded in the public records

C. It must be delivered and accepted

D. It must be signed by both parties

10. Which of the following mortgage types allows multiple pieces of property to secure one loan?

A. A blanket mortgage

B. An adjustable-rate mortgage

C. A home equity line of credit

D. A secondary mortgage

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Answers

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

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Explanations

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1. If charges are filed against a licensee, what is the first step they may attend?

A. An informal hearing

B. A public hearing

C. A formal trial

D. A mediation session

When charges are filed against a real estate licensee, the first step they may attend is typically an informal hearing. This type of hearing allows the licensee to address the allegations in a less formal setting compared to a public hearing or formal trial. An informal hearing can serve as an opportunity for the licensee to provide their side of the story, present evidence, and seek a resolution before potentially moving on to more formal proceedings. This process is designed to be less adversarial and may often lead to a quicker resolution of the matter. If issues remain unresolved or if the licensee does not reach a satisfactory agreement during the informal hearing, then the case may proceed to a public hearing or other forms of dispute resolution such as mediation or a formal trial, which involve more stringent procedures and potential public scrutiny. Having a structured initial step like an informal hearing allows for a more efficient handling of disciplinary matters in the real estate profession, focusing on resolution while still providing the licensee with the opportunity to defend themselves.

2. If a buyer places a deposit subject to zoning change but does not exercise the option in 90 days, what happens to his option?

A. It automatically extends for another 90 days

B. It remains valid until the property is sold

C. He loses his option unless exercised

D. He can sell his option to another buyer

The correct answer is that the buyer loses his option unless it is exercised. In real estate agreements involving an option to purchase or deposit subject to conditions such as zoning changes, the buyer typically has a specific time frame to exercise that option. When the buyer does not take action within the allotted 90 days, the option expires, and the buyer loses the right to purchase the property under those terms. This reflects the nature of options in real estate transactions, where timely action is crucial to retain rights. If the buyer fails to meet the conditions or exercise the option within the specified time, they forfeit that opportunity. Other options that imply an extension or the ability to sell the option do not align with standard practices in real estate regarding the expiration of options tied to specific conditions.

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3. Can a real estate salesperson operate independently without a broker?

A. Yes, with appropriate licensure

B. No, they must work under a licensed broker

C. Yes, but only for limited periods

D. No, unless they are registered as a managing agent

In Michigan, real estate salespersons are required to work under the supervision of a licensed broker. This is a foundational principle of real estate practice in the state, ensuring that all transactions are conducted under the oversight of a qualified and licensed professional who understands the complexities of real estate laws and regulations. This requirement is in place to protect consumers and clients by ensuring that all real estate activities are handled by someone who has the necessary training and experience. The broker provides the necessary compliance with state laws, and their involvement is crucial in minimizing risks and ensuring ethical practices within real estate transactions. Operating independently without a broker would mean the salesperson is not adhering to this regulatory framework, which could lead to legal complications for both the salesperson and the clients. Therefore, salespersons must always remain affiliated with a broker to legally engage in real estate activities.

4. Under the principles of the cost approach, which factor is crucial in determining value?

A. Current market trends

B. Replacement costs

C. Neighborhood demographics

D. Loan interest rates

In determining value under the cost approach, replacement costs play a pivotal role. This method evaluates the cost to replace a property with a similar one that has the same utility, considering factors such as construction costs, labor, and materials. The essence of this approach is to ascertain the value by calculating what it would cost to construct a replica of the property, while also accounting for depreciation which recognizes wear and tear or functional obsolescence. The ideal scenario presumes that a knowledgeable buyer would not pay more for an existing property than the cost to build a similar new one. Thus, replacement costs are fundamental in establishing the property's value accurately in this approach. In contrast, while current market trends might inform broader market conditions, they do not specifically pertain to the cost-based evaluation. Neighborhood demographics and loan interest rates are also significant in the broader context of real estate valuations but do not directly influence the cost approach itself.

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5. How can an owner stop another person from gaining adverse possession over her land?

A. By putting up a fence

B. By giving them permission

C. By either A or B

D. By informing the neighbors

An owner can effectively prevent another person from gaining adverse possession over their land by either putting up a fence or by giving permission to the other party to use the land. Establishing a physical barrier, such as a fence, can serve as a clear demarcation of property lines and assert the owner's rights, discouraging potential claims of adverse possession. Adverse possession laws typically require that the possession be open, notorious, exclusive, and hostile, meaning that the possessor is treating the land as their own without permission from the true owner. By erecting a fence, the owner clearly indicates their claim to the property, thereby making it harder for someone to claim possession without permission. Additionally, if the owner grants permission to another party to use the land, this action negates the "hostility" element that is necessary for adverse possession. When permission is given, the use of the land is not considered adverse or hostile, and thus, the user cannot claim ownership based on adverse possession. This legal principle emphasizes that consent alters the nature of the occupancy. Therefore, both actions—putting up a fence and granting permission—serve as effective methods to prevent adverse possession, thereby making the choice to use either or both the correct approach.

6. What characterizes a "wraparound mortgage"?

A. A traditional loan requiring full payoff of existing mortgages

B. A type of financing that enables a buyer to assume an existing mortgage

C. A loan that includes home improvement costs

D. A mortgage with a fixed interest rate only

A wraparound mortgage is characterized by its ability to allow a buyer to assume an existing mortgage while also providing additional financing to cover the purchase price exceeding that existing mortgage. In this arrangement, the seller maintains the original mortgage but creates a new loan that "wraps around" the previous one. The buyer makes payments on the wraparound mortgage, which typically includes both the amount due on the existing loan and any additional financing. This type of financing is especially useful in scenarios where interest rates are rising or the terms of the original mortgage are favorable, allowing the buyer to benefit from the terms of the existing mortgage while facilitating the purchase. It enables the buyer to avoid having to secure an entirely new mortgage immediately, which can be beneficial in competitive real estate markets. Understanding this structure is important for real estate transactions as it impacts how deals are financed and negotiated.

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7. What is an example of functional obsolescence?

A. Excessive wear and tear

B. Outdated plumbing

C. Unattractive landscaping

D. Temporary economic downturns

Functional obsolescence refers to a reduction in the usefulness or desirability of a property due to changes in design preferences or technology. Outdated plumbing is a prime example of this concept because it can render a property less appealing or functional compared to newer homes that feature modern plumbing systems. When the plumbing does not meet current standards or expectations—such as inadequate water pressure, old piping materials, or inefficient fixtures—it can significantly impact the property's value and functionality. The other options, while related to property condition, represent different issues. Excessive wear and tear generally relates to physical deterioration rather than an outdated feature. Unattractive landscaping affects curb appeal but not the functional aspects of the home itself. Temporary economic downturns refer to market fluctuations and external economic pressures rather than inherent property features, differentiating them from the idea of functional obsolescence.

8. Which factor is NOT typically assessed when determining the value of real estate?

A. Location of the property.

B. Property condition.

C. Number of bedrooms.

D. Owner's personal preferences.

In the context of real estate valuation, the owner's personal preferences are generally not considered a relevant factor. The value of real estate is typically determined by objective criteria that can be quantified and assessed. Location is crucial, as it influences the property's desirability, access to amenities, and market demand. The condition of the property is equally important, as it affects not only the physical state of the home but also future maintenance costs and market appeal. The number of bedrooms can influence the property's functionality and marketability, particularly for families or individuals looking for specific living arrangements. On the other hand, personal preferences are subjective and vary greatly from one owner to another. They do not contribute to the intrinsic market value of a property and cannot be uniformly assessed or compared across different properties. Therefore, personal preferences do not play a role in the standard valuation process used by appraisers and real estate agents.

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9. For a deed to successfully transfer title from one owner to another, what is required?

A. It must be notarized

B. It must be recorded in the public records

C. It must be delivered and accepted

D. It must be signed by both parties

For a deed to successfully transfer title from one owner to another, it is essential that the deed is delivered and accepted. This means that the grantor (the seller) must physically deliver the deed to the grantee (the buyer), and the grantee must accept that deed to complete the transfer of ownership. The delivery and acceptance signify the intent of both parties to finalize the transaction and transfer property rights. While notarization, recording, and signatures may play important roles in the overall process of property transactions, they are not requirements for the actual transfer of title to occur. Notarization helps authenticate the deed for legal purposes, recording serves to provide public notice of the ownership change, and signatures validate the intentions of the parties involved, but none of these steps substitute the crucial act of delivering and accepting the deed itself.

10. Which of the following mortgage types allows multiple pieces of property to secure one loan?

A. A blanket mortgage

B. An adjustable-rate mortgage

C. A home equity line of credit

D. A secondary mortgage

A blanket mortgage is specifically designed to allow multiple pieces of property to be secured under a single loan. This type of financing is often used by developers who are purchasing multiple parcels of land or by investors who want to leverage several properties as collateral for one mortgage. It can simplify the financing process because it consolidates multiple loans into one, which can lead to easier management of payments and potentially lower interest rates. In contrast, an adjustable-rate mortgage involves interest rates that vary over time, and while it pertains to a single property, it does not allow for multiple properties to be included under a single loan. A home equity line of credit allows borrowers to tap into their home equity but does not secure multiple properties under one loan. Lastly, a secondary mortgage typically refers to a second loan taken out on a property, which is also secured by just that particular property rather than multiple properties. Therefore, a blanket mortgage is the clear choice for securing multiple pieces of property under one loan.

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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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