MINNESOTA STATE REAL ESTATE PRACTICE TEST (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.

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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. What type of defects are sellers required to disclose?

A. Minor cosmetic issues

B. Only legal issues

C. Known material defects

D. Only issues that have resulted in complaints

2. Contingencies involving inspections in an Offer to Purchase should ideally have what type of deadlines?

A. Flexible and open-ended deadlines

B. Short deadlines

C. Deadline only upon closing

D. Deadlines as long as the buyer requires

3. When is a salesperson entitled to earn a commission?

A. When the listing agreement is signed

B. Only when the transaction closes

C. Upon finding a buyer

D. As soon as the offer is accepted

4. For how many years must a broker have active experience before applying for a broker's license in Minnesota?

A. 1 year

B. 2 years

C. 3 years

D. 5 years

5. In real estate, what is a contingency?

A. A mandatory review of property condition

B. A condition that must be met for a contract to be binding

C. A process of closing a transaction quickly

D. An offer that requires bidding

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6. What must a broker do before applying for a business entity license in Minnesota?

A. Join an active real estate company

B. Obtain a salesperson's license

C. Complete continuing education requirements

D. Pass the broker exam

7. If a company leases a property to be used as a gambling casino in a state where gambling is prohibited, how is this contract defined?

A. Legally binding contract

B. Void contract

C. Valid until challenged

D. Enforceable under local laws

8. What is required from a realtor who intends to buy property they are selling?

A. Nothing, they can proceed without disclosure

B. A verbal notice of intent to the buyer

C. A written disclosure of their real estate status to the seller

D. A notification to the seller's attorney

9. Which records are NOT required to be maintained in the trust fund records?

A. Party from whom funds were received

B. Personal expenses of the brokerage

C. Date funds deposited

D. Monthly balance of the trust account

10. What is the LTV ratio if a borrower is taking on a $92,500 mortgage on a property appraised at $100,000?

A. 90%

B. 92.50%

C. 95%

D. 85%

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Answers

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

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Explanations

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1. What type of defects are sellers required to disclose?

A. Minor cosmetic issues

B. Only legal issues

C. Known material defects

D. Only issues that have resulted in complaints

Sellers are required to disclose known material defects because these are significant issues that could affect the value, usability, or safety of the property. Material defects are issues that are not merely cosmetic or minor; they can include structural problems, issues with plumbing or electrical systems, or environmental hazards that could impact the buyer's decision or the property's worth. The duty to disclose is rooted in the principle of honesty in real estate transactions, ensuring that buyers have the necessary information to make informed decisions. This requirement protects sellers as well by potentially avoiding legal disputes arising from undisclosed defects after the sale is finalized. Because of this obligation, sellers must be forthright about defects they know exist, rather than only disclosing issues that have led to complaints or are legally mandated. This transparency helps maintain trust in real estate practices.

2. Contingencies involving inspections in an Offer to Purchase should ideally have what type of deadlines?

A. Flexible and open-ended deadlines

B. Short deadlines

C. Deadline only upon closing

D. Deadlines as long as the buyer requires

In real estate transactions, particularly in an Offer to Purchase, having short deadlines for contingencies involving inspections is crucial. This approach ensures that the buyer's opportunity to conduct necessary inspections is not open-ended, which can lead to prolonged uncertainty for both parties. By setting short deadlines, buyers are encouraged to perform their due diligence swiftly, allowing them to assess the property's condition and make informed decisions without unnecessary delays. This structured timeline helps keep the transaction on track and provides a level of urgency that can benefit the negotiation process. Additionally, it protects the interests of the seller by minimizing the time the property is held in limbo due to pending inspections. On the other hand, open-ended or overly long deadlines can lead to complications, including potential market shifts or seller frustration, as they may be left waiting while the buyer assesses the property. Hence, short deadlines create a balanced approach that facilitates timely communication and decision-making.

3. When is a salesperson entitled to earn a commission?

A. When the listing agreement is signed

B. Only when the transaction closes

C. Upon finding a buyer

D. As soon as the offer is accepted

A salesperson is entitled to earn a commission when the transaction closes because this is the point at which the sale is finalized, and the seller receives payment while the buyer takes possession of the property. Closing typically involves the completion of all agreed-upon terms in the purchase agreement and the legal transfer of property ownership. Until this point, the agreement between the parties does not constitute a completed sale, and therefore the salesperson's commission is contingent upon the successful closing of the transaction. Other options, such as the signing of the listing agreement or the acceptance of an offer, do not guarantee that a sale will finalize, as circumstances could change before closing. Similarly, while finding a buyer is an important part of the process, it does not result in a commission unless the deal closes successfully.

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4. For how many years must a broker have active experience before applying for a broker's license in Minnesota?

A. 1 year

B. 2 years

C. 3 years

D. 5 years

To qualify for a broker's license in Minnesota, an individual must have at least three years of active experience in the real estate business. This requirement ensures that prospective brokers possess a significant amount of practical knowledge and understanding of the industry, which is vital for managing a brokerage and guiding agents. The three-year experience requirement allows the candidate to develop a comprehensive grasp of various real estate transactions, regulations, and ethical considerations that are essential for a broker's role. It provides a foundation for the responsibilities that come with being a broker, such as overseeing compliance with state laws, managing financial aspects of the business, and providing mentorship to new agents. This level of experience helps to ensure that brokers are adequately prepared for the complexity of their duties.

5. In real estate, what is a contingency?

A. A mandatory review of property condition

B. A condition that must be met for a contract to be binding

C. A process of closing a transaction quickly

D. An offer that requires bidding

In real estate, a contingency refers to a specific condition or requirement that must be fulfilled for a contract to become legally binding. For example, a real estate purchase agreement may include contingencies such as the buyer securing financing, satisfactorily completing a home inspection, or the sale of the buyer's current home. Until these contingencies are met, the contract may remain in flux, allowing the parties involved to implement or negotiate terms based on these conditions. This aspect of a contract is crucial as it provides a safety net for the buyer or seller, ensuring that they are not obligated to proceed with a transaction that does not meet their specific conditions or needs. The other options, while related to aspects of real estate transactions, do not accurately represent the meaning of contingency in this context. For instance, mandatory reviews of property conditions are often part of the negotiation process but do not encapsulate the broader legal implications of contingencies. The closing process and bidding offers, while important in real estate activities, are separate from the definition of a contingency itself.

6. What must a broker do before applying for a business entity license in Minnesota?

A. Join an active real estate company

B. Obtain a salesperson's license

C. Complete continuing education requirements

D. Pass the broker exam

To apply for a business entity license in Minnesota, it is essential for the broker to pass the broker exam. This requirement ensures that the individual has the necessary understanding and knowledge of real estate laws, practices, and regulations before they can operate as a broker or establish a new business entity in the real estate industry. The broker exam covers important topics necessary for compliance with state laws and best practices in real estate, making it a critical step prior to applying for a business entity license. While other options may relate to the process of becoming a broker or operating as a real estate professional, they do not fulfill the preparatory requirements specifically linked to obtaining a business entity license in Minnesota.

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7. If a company leases a property to be used as a gambling casino in a state where gambling is prohibited, how is this contract defined?

A. Legally binding contract

B. Void contract

C. Valid until challenged

D. Enforceable under local laws

A contract that involves illegal activity, such as leasing a property for use as a gambling casino in a state where gambling is prohibited, is considered void. This means that the contract has no legal effect from the moment it is created, as it is based on an illegal purpose. Courts will not enforce contracts that are formed for purposes that violate the law. Since the lease is intended for a use that is prohibited, it fails to fulfill the necessary legal requirements to be considered valid. In contrast, other classifications of contracts such as legally binding and enforceable under local laws rely on the contract adhering to legal standards and norms. A valid contract must be for a lawful purpose, and since this situation implicates illegal activity, those characteristics do not apply. Therefore, the correct conclusion is that the contract is void due to its association with prohibited activity.

8. What is required from a realtor who intends to buy property they are selling?

A. Nothing, they can proceed without disclosure

B. A verbal notice of intent to the buyer

C. A written disclosure of their real estate status to the seller

D. A notification to the seller's attorney

A realtor who intends to buy property they are selling is required to provide a written disclosure of their real estate status to the seller. This requirement is in place to ensure transparency and protect the interests of all parties involved in the transaction. By disclosing their status as a licensed real estate professional, the realtor helps to avoid potential conflicts of interest and ensures that the seller is fully informed about who they are dealing with. This written disclosure serves multiple purposes: it clarifies the realtor's role in the transaction, informs the seller that the realtor has a personal stake in the sale, and allows the seller to make informed decisions regarding negotiations and offers. Being transparent in real estate transactions helps to build trust and fortifies the ethical standards of the profession. In scenarios where realtors do not disclose their intentions, it could lead to legal repercussions or ethical violations, undermining the integrity of the transaction and potentially harming the seller.

9. Which records are NOT required to be maintained in the trust fund records?

A. Party from whom funds were received

B. Personal expenses of the brokerage

C. Date funds deposited

D. Monthly balance of the trust account

Personal expenses of the brokerage are not required to be maintained in the trust fund records because trust funds are intended to be separate from the brokerage's operational funds. Trust fund records should accurately reflect all transactions related to client funds, ensuring transparency and accountability in the management of those funds. In contrast, records such as the party from whom funds were received, the date funds were deposited, and the monthly balance of the trust account are all critical for maintaining clear and precise accounting of client funds. These records help ensure compliance with legal standards and protect both clients and the brokerage from potential disputes or discrepancies. Thus, personal expenses, which do not relate to client transactions, are excluded from trust fund records.

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10. What is the LTV ratio if a borrower is taking on a $92,500 mortgage on a property appraised at $100,000?

A. 90%

B. 92.50%

C. 95%

D. 85%

The loan-to-value (LTV) ratio is a financial term that expresses the ratio of a loan to the value of an asset purchased. To calculate the LTV ratio, you take the amount of the mortgage loan and divide it by the property's appraised value, then multiply by 100 to convert it to a percentage. In this scenario, the borrower is taking on a mortgage of $92,500 on a property that has been appraised at $100,000. The calculation for the LTV ratio would be: LTV = (Mortgage Amount / Appraised Value) × 100 Substituting the values: LTV = ($92,500 / $100,000) × 100 = 0.925 × 100 = 92.5% Thus, the LTV ratio is 92.5%. This ratio is significant in real estate as it helps lenders assess the risk associated with the loan. A higher LTV may indicate more risk since it suggests that the borrower has a smaller equity stake in the property, which could be an important factor in a lending decision. This makes the answer of 92.50% the accurate and correct choice.

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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:

https://minnesotastaterealestate.examzify.com

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

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