

TEXAS PROMULGATED CONTRACTS PRACTICE TEST (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.

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. Where is the commission agreement between the broker and the seller usually found?**
 - A. Sales contract
 - B. Listing agreement
 - C. Buyer representation agreement
 - D. IABS
- 2. What may the buyer be charged if the property changes use from its current agricultural exemption?**
 - A. Fine
 - B. Penalty
 - C. Rollback tax
 - D. Change of use fee
- 3. What does the term "earnest money" refer to in a real estate transaction?**
 - A. A fee paid to real estate agents
 - B. A deposit made by the buyer to demonstrate serious intent to purchase
 - C. A cost associated with title insurance
 - D. A down payment required at closing
- 4. What must be disclosed to the buyer regarding property conditions before closing?**
 - A. Only defects known to the seller
 - B. Any environmental hazards present
 - C. Only major repairs needed
 - D. All material facts affecting the property's value
- 5. What is likely to happen in the absence of a "Mediation Provision" in a contract?**
 - A. Disputes must be resolved through arbitration
 - B. Parties will be encouraged to resolve matters informally
 - C. Litigation may be necessary to resolve disputes
 - D. Disputes automatically get dismissed

- 6. Where will reservations of oil, gas, and other minerals typically be inserted in the contract?**
- A. Paragraph 2
 - B. Paragraph 11
 - C. TREC Addenda form
 - D. Paragraph 7
- 7. What should an agent do if a buyer is concerned about environmental issues?**
- A. Add the Environmental Assessment Addendum to the contract
 - B. Avoid the property at all costs
 - C. Add in Special Provisions that the contract is subject to an environmental review
 - D. Explain to the buyer that environmental issues are rarely a problem
- 8. What happens to the veteran Seller in a VA assumption?**
- A. They automatically obtain a release of liability
 - B. They keep their entitlement intact
 - C. They are required to pay additional fees
 - D. They face increased scrutiny on their entitlement
- 9. How is the closing date determined?**
- A. It is negotiated by the buyer and the seller
 - B. It is an "on or before" date
 - C. It may be extended in some cases
 - D. All of the above
- 10. What is a lease option in real estate?**
- A. A direct sale of the property to a buyer
 - B. A rental agreement that includes an option to purchase the property at a later date
 - C. A month-to-month rental agreement
 - D. A standard lease without any purchase options

Answers

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

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Explanations

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1. Where is the commission agreement between the broker and the seller usually found?

- A. Sales contract
- B. Listing agreement**
- C. Buyer representation agreement
- D. IABS

The commission agreement between the broker and the seller is typically found in the listing agreement. A listing agreement is a contract that a seller enters into with a real estate broker to market and sell their property. This agreement lays out the terms under which the broker will operate, including the details about the broker's commission. In this context, the listing agreement explicitly states the percentage or amount of commission that the broker will receive upon the successful sale of the property. This helps to clarify the expectations and obligations for both the seller and the broker regarding compensation for services rendered during the selling process. Other documents mentioned, such as the sales contract, buyer representation agreement, and IABS (Information About Brokerage Services), serve different purposes. The sales contract pertains to the final agreement between the buyer and seller once a sale is agreed upon. The buyer representation agreement outlines the relationship and obligations between a broker and a buyer, while the IABS simply provides information about the duties of agents to their clients and the nature of their business relationships. Thus, the listing agreement is the appropriate place for the commission details related to the broker's role in selling the property.

2. What may the buyer be charged if the property changes use from its current agricultural exemption?

- A. Fine
- B. Penalty
- C. Rollback tax**
- D. Change of use fee

When a property in Texas that is receiving an agricultural exemption changes use, the buyer may be subject to a rollback tax. This tax is implemented as a way to recapture some of the property tax benefits that were previously granted under the agricultural exemption. Essentially, if the use of the land switches away from agricultural purposes, the property may no longer qualify for the exemption, resulting in a tax liability for the period it was improperly exempt. Rollback taxes are typically calculated based on the difference between the former agricultural tax rate and the higher rate that would apply to the property's new use, multiplied by the number of previous years the exemption was claimed. This mechanism is designed to ensure that property owners do not benefit unduly from exemptions when the land is used for purposes that do not support agricultural production. In contrast, options like a fine or penalty do not specifically relate to the change in property use for taxation purposes, nor does a change of use fee encapsulate the financial repercussions that arise from a loss of agricultural exemption. The rollback tax is the specific tax liability that reflects the adjustment in property use status.

3. What does the term "earnest money" refer to in a real estate transaction?

- A. A fee paid to real estate agents
- B. A deposit made by the buyer to demonstrate serious intent to purchase**
- C. A cost associated with title insurance
- D. A down payment required at closing

The term "earnest money" specifically refers to the deposit made by the buyer to demonstrate serious intent to purchase a property. This deposit serves several key purposes: it shows the seller that the buyer is serious about their offer, provides some form of security to the seller, and can help facilitate the closing process. The amount of earnest money can vary but is typically a percentage of the property's sale price. When a buyer submits earnest money, it is usually held in escrow until the transaction is completed. If the sale goes through, the earnest money is often applied toward the down payment or closing costs. Conversely, if the deal falls through due to contingencies outlined in the contract, the buyer may be able to recover their earnest money under certain conditions, protecting both parties if the deal does not proceed. Other options, although related to real estate transactions, do not encapsulate the specific meaning of earnest money. The fee paid to real estate agents is a commission, and title insurance costs refer to a separate financial obligation related to protecting against potential disputes over property ownership. A down payment required at closing is a separate financial commitment distinct from the earnest money deposit, as it usually occurs after negotiations and accepts the offer.

4. What must be disclosed to the buyer regarding property conditions before closing?

- A. Only defects known to the seller
- B. Any environmental hazards present
- C. Only major repairs needed
- D. All material facts affecting the property's value**

The requirement to disclose all material facts affecting the property's value underscores the seller's obligation to provide transparency and protect the buyer's interests. In real estate transactions, this principle is crucial as it ensures that buyers can make informed decisions based on the true condition of the property. Material facts can encompass a broad range of issues, including structural defects, environmental hazards, and any other factors that could significantly influence a buyer's evaluation of the property's worth or desirability. For instance, if a property has a history of flooding, pest infestations, or zoning issues, disclosing these facts is essential to provide a complete picture of what the buyer is investing in. This comprehensive disclosure is designed to foster fairness in the transaction process and to prevent fraud or misrepresentation. By ensuring that all relevant information is communicated, both parties can proceed with greater confidence, which promotes a smoother closing process and minimizes the potential for disputes after the sale has occurred. Other alternatives do not meet the full scope of this requirement; they limit the types of disclosures that must be made and could leave buyers uninformed about serious issues impacting their investment decisions.

5. What is likely to happen in the absence of a "Mediation Provision" in a contract?

- A. Disputes must be resolved through arbitration
- B. Parties will be encouraged to resolve matters informally
- C. Litigation may be necessary to resolve disputes**
- D. Disputes automatically get dismissed

When a contract does not include a "Mediation Provision," it typically means that there is no predefined process for resolving disputes through mediation. Mediation is often utilized as an alternative to litigation and provides a structured environment for parties to resolve their differences amicably with the help of a neutral third party. Without this provision, the parties may not have an agreed-upon method to address their conflicts outside of court. As a result, if disputes arise, the likelihood of these issues escalating to litigation increases. Litigation involves formal court proceedings, which can be time-consuming, costly, and adversarial. Therefore, the absence of a mediation provision can effectively leave the parties with no choice but to pursue litigation as a means of resolution, making it the most probable outcome in such circumstances.

6. Where will reservations of oil, gas, and other minerals typically be inserted in the contract?

- A. Paragraph 2
- B. Paragraph 11
- C. TREC Addenda form**
- D. Paragraph 7

In real estate transactions in Texas, the reservation of oil, gas, and other minerals is typically addressed in the TREC Addenda form. This is important because mineral rights can significantly impact property value and the rights of ownership. When a buyer is acquiring a property, it's crucial for both parties to clarify if any mineral rights are being reserved and to what extent. The TREC Addenda is specifically designed to accommodate these types of agreements that may not fit neatly into the basic structure of the main contract. In this context, the other options do not serve as the appropriate places for this information. Paragraphs within the main contract often deal with the general aspects of the transaction and typically do not provide a detailed format for handling the complexities surrounding mineral rights, which often require more specific and tailored language found in an addendum. Therefore, using the TREC Addenda form ensures all necessary details regarding the reservation of these rights are clearly documented and legally enforceable.

7. What should an agent do if a buyer is concerned about environmental issues?

- A. Add the Environmental Assessment Addendum to the contract**
- B. Avoid the property at all costs
- C. Add in Special Provisions that the contract is subject to an environmental review
- D. Explain to the buyer that environmental issues are rarely a problem

The correct approach when addressing a buyer's concerns about environmental issues is to add the Environmental Assessment Addendum to the contract. This addendum provides a structured process for assessing and addressing potential environmental concerns associated with the property in question. It ensures that both parties acknowledge and agree to conduct an environmental assessment, allowing for a thorough examination of any potential environmental hazards, such as contamination or regulatory compliance issues. Utilizing the addendum not only formalizes the buyer's concerns but also protects their interests by making it clear that an environmental review is considered an essential part of the transaction. This proactive measure helps to mitigate any risks that may arise from undisclosed environmental problems, ultimately assisting in the buyer's decision-making process. Options that suggest avoiding properties altogether or downplaying environmental problems do not serve the buyer's interests or promote informed decision-making. Similarly, simply adding special provisions without the structured framework of an addendum may lack the comprehensiveness and legal protection necessary for addressing these critical concerns effectively.

8. What happens to the veteran Seller in a VA assumption?

- A. They automatically obtain a release of liability**
- B. They keep their entitlement intact
- C. They are required to pay additional fees
- D. They face increased scrutiny on their entitlement

In a VA assumption, when a veteran seller allows a buyer to assume their VA loan, they can indeed obtain a release of liability under certain conditions. This release means that the veteran is no longer responsible for the loan if the buyer defaults, provided the buyer is creditworthy and the lender approves the assumption. This is a significant benefit for the veteran seller because it protects them from potential negative financial impacts resulting from the buyer's payment issues. When the assumption is completed properly, it helps the veteran seller move on without affecting their credit or financial standing related to that particular loan. It's important to note that for this release to be effective, the loan must meet specific guidelines and undergo proper processing by the lender. In contrast, if certain conditions are not met, the veteran seller may remain liable for the loan, which does not provide the intended protection. Understanding this process and its implications is crucial for both the veteran and the buyer in a VA loan assumption scenario.

9. How is the closing date determined?

- A. It is negotiated by the buyer and the seller
- B. It is an "on or before" date
- C. It may be extended in some cases
- D. All of the above**

The closing date of a real estate transaction plays a crucial role in the overall buying and selling process, and several factors contribute to its determination. The closing date is generally established as a result of negotiations between the buyer and the seller. It is a pivotal point where both parties agree on when the transfer of property ownership will officially occur. This aspect of negotiation highlights the importance of communication and agreement in real estate transactions. Additionally, the concept of an "on or before" date is often relevant in contracts. This means that while an expected closing date is set, it allows for the flexibility of closing before that specified date if all conditions are met, accommodating potential delays that could occur in the process. Moreover, in some situations, the closing date may be extended. This flexibility can be due to various factors such as the need for additional time to secure financing, complete inspections, or address any arising issues that might delay the transaction. The combination of negotiation, flexibility with the "on or before" framework, and the possibility of extensions showcases the comprehensive nature of how the closing date is determined in Texas real estate transactions. Thus, D accurately reflects the multifaceted approach to establishing a closing date.

10. What is a lease option in real estate?

- A. A direct sale of the property to a buyer
- B. A rental agreement that includes an option to purchase the property at a later date**
- C. A month-to-month rental agreement
- D. A standard lease without any purchase options

A lease option in real estate is effectively a rental agreement that includes a provision for the tenant to purchase the property at a later date. This arrangement allows a tenant to rent a property for a specified period while also giving them the right to buy the property during or at the end of the lease term. This can be beneficial for both the tenant and the landlord; tenants have time to secure financing or improve their credit while having a clear path to ownership, and landlords maintain rental income while enhancing the property's appeal to potential buyers. The other choices do not accurately capture the essence of a lease option. A direct sale of the property to a buyer pertains solely to the transfer of ownership without any rental component. A month-to-month rental agreement lacks the structured follow-through on purchase options and is typically more flexible, often allowing for short-term rental without commitment to purchase. Meanwhile, a standard lease without any purchase options does not provide the tenant with an option to buy, which is a defining feature of a lease option. Thus, the correct choice underscores the dual nature of a lease option—serving as both a rental agreement and a potential sales contract.

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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