TEXAS PROMULGATED CONTRACTS 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 16

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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. According to a Financing Addendum, the interest rate is:

A. Set at 6%

B. Negotiated between the parties

C. Set by TREC

D. Determined at closing

2. 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

3. What is a "contingency" in a real estate contract?

A. A requirement to modify the contract

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

C. A clause that waives certain rights

D. A provision that cancels the contract

4. Why is including a "Time is of the Essence" clause important in a contract?

A. It allows flexibility in meeting deadlines

B. It emphasizes that deadlines must be adhered to strictly and failure could result in penalties

C. It dismisses the need for deadlines in transactions

D. It guarantees completion of the contract regardless of time

5. What happens to earnest money if the contract is terminated due to buyer contingencies?

A. The earnest money is forfeited to the seller

B. The earnest money is typically refunded to the buyer

C. The earnest money becomes part of closing costs

D. The earnest money is donated to charity

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6. What is the consequence of not providing a seller's disclosure notice?

A. The transaction can proceed without any issues

B. Buyers may seek legal recourse against the seller

C. The seller is automatically fined

D. Real estate agents will void the contract

7. 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

8. 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

9. What does "TREC" stand for?

A. Texas Real Estate Commission

B. Texas Real Estate Council

C. Texas Residential Executive Committee

D. Texas Realty Evaluation Committee

10. When is the "Final Walk-Through" typically conducted?

A. Immediately after the closing

B. A week before listing the property

C. A few days before closing

D. Right after the buyer submits an offer

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Answers

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

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Explanations

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1. According to a Financing Addendum, the interest rate is:

A. Set at 6%

B. Negotiated between the parties

C. Set by TREC

D. Determined at closing

In the context of a Financing Addendum, the interest rate is negotiated between the parties involved in the transaction. This means that the lender and borrower come to an agreement on the interest rate that will be applied to the loan involved in the financing. The flexibility to negotiate allows the parties to consider various factors, such as current market conditions, the creditworthiness of the borrower, and the specifics of the loan arrangement, leading to a tailored approach that best suits their individual circumstances. While some options mention fixed rates or regulatory influences, in real estate financing agreements, the ability to negotiate the interest rate is a common practice. It reflects the dynamic nature of lending and borrowing arrangements, where terms might vary significantly based on the parties' specific needs and financial conditions.

2. 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.

3. What is a "contingency" in a real estate contract?

A. A requirement to modify the contract

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

C. A clause that waives certain rights

D. A provision that cancels the contract

In the context of a real estate contract, a "contingency" refers to a specific condition or set of circumstances that must be fulfilled for the contract to be enforceable. For instance, a common contingency might be the buyer obtaining financing or a satisfactory home inspection. If the terms laid out in the contingency are not met, the parties may have grounds to withdraw from the agreement without penalty. The significance of this component in a contract lies in its ability to protect the interests of one or both parties involved. By stating that certain conditions must be satisfied before the contract is binding, contingencies offer a layer of assurance and can help facilitate negotiations, making them critical elements of many real estate transactions. This ensures that participants can secure their positions and address potential risks before finalizing the deal.

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4. Why is including a "Time is of the Essence" clause important in a contract?

A. It allows flexibility in meeting deadlines

B. It emphasizes that deadlines must be adhered to strictly and failure could result in penalties

C. It dismisses the need for deadlines in transactions

D. It guarantees completion of the contract regardless of time

Including a "Time is of the Essence" clause in a contract is crucial because it emphasizes the necessity for all parties to adhere strictly to the specified deadlines outlined in the agreement. This clause establishes that timely performance is an essential element of the contract, and failure to meet these deadlines could lead to penalties or legal consequences. It stresses that the contract's enforceability may hinge on compliance with these timeframes, thereby reinforcing the importance of meeting dates for deliverables, payments, and other obligations. This helps prevent misunderstandings and potential disputes, ensuring that all parties are aware of the critical nature of timing in their contractual commitments.

5. What happens to earnest money if the contract is terminated due to buyer contingencies?

A. The earnest money is forfeited to the seller

B. The earnest money is typically refunded to the buyer

C. The earnest money becomes part of closing costs

D. The earnest money is donated to charity

When a contract is terminated due to buyer contingencies, it typically results in the refund of the earnest money to the buyer. Buyer contingencies are specific conditions outlined in the contract that must be met for the agreement to proceed. Common examples include financing, home inspections, or appraisal contingencies. If these conditions are not satisfied by the specified time, the buyer has the right to terminate the contract without penalty, which includes the return of their earnest money deposit. In this context, the earnest money serves as assurance to the seller that the buyer is serious about purchasing the property. However, when contingencies are in play and the buyer exercises their right to terminate based on those conditions, the buyer is entitled to recover their earnest money. This protects the buyer's interest and provides a fair outcome in situations where they cannot proceed with the transaction due to issues outlined in the contract.

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6. What is the consequence of not providing a seller's disclosure notice?

A. The transaction can proceed without any issues

B. Buyers may seek legal recourse against the seller

C. The seller is automatically fined

D. Real estate agents will void the contract

The requirement for a seller's disclosure notice is crucial in real estate transactions as it ensures that buyers are fully informed about the condition of the property. If a seller fails to provide this notice, it can lead to significant repercussions for them. Buyers may seek legal recourse against the seller because the absence of a seller's disclosure notice can be seen as a lack of transparency. Buyers rely on this notice to uncover potential issues with the property, such as defects or past problems. When this information is withheld, it can be grounds for a legal claim, including fraud or misrepresentation, especially if the buyer later discovers a major deficiency that the seller knew about but failed to disclose. The other options do not accurately reflect the implications of not providing a seller's disclosure. The transaction itself may face complications, but it does not simply proceed without any issues. There is no automatic fine imposed on the seller for failing to deliver the notice unless specified by state laws, and real estate agents typically do not have the authority to void contracts outright based on this oversight alone. Therefore, the consequence is primarily legal in nature, as buyers may pursue remedies against the seller for nondisclosure.

7. 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.

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8. 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.

9. What does "TREC" stand for?

A. Texas Real Estate Commission

B. Texas Real Estate Council

C. Texas Residential Executive Committee

D. Texas Realty Evaluation Committee

The acronym "TREC" stands for the Texas Real Estate Commission. TREC is a state agency responsible for regulating real estate in Texas, including the licensing of real estate agents and brokers, enforcing real estate laws, and protecting the public. This agency oversees real estate professionals to ensure compliance with established standards and practices, promoting transparency and fairness within the Texas real estate market. Understanding the role of TREC is essential for anyone involved in real estate in Texas, as it directly influences the practices of agents, brokers, and the overall conduct of real estate transactions. The other options do not accurately represent the state agency's function or formal designation, which is specifically focused on the regulation of real estate in Texas.

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10. When is the "Final Walk-Through" typically conducted?

A. Immediately after the closing

B. A week before listing the property

C. A few days before closing

D. Right after the buyer submits an offer

The "Final Walk-Through" is typically conducted a few days before closing to ensure that the property is in the agreed-upon condition and that any repairs or contingencies have been addressed as per the contract terms. This is an important step for the buyer to verify that they are receiving the home as expected and to check for any last-minute issues that may need to be resolved before finalizing the purchase. Conducting the walk-through right before closing allows the buyer to confirm that all aspects of the property are satisfactory—ensuring appliances function, personal property or items included in the sale are present, and any negotiated repairs have been completed. It serves as a final quality check, giving the buyer peace of mind before making such a significant financial commitment. The other options do not align with standard real estate practices. For instance, conducting a walk-through immediately after closing would not provide an opportunity for the buyer to address any issues before finalizing the transaction. A walk-through a week before listing the property is irrelevant to the buyer's process in acquiring the home. Similarly, conducting it right after the buyer submits an offer does not allow for the necessary checks, as the buyer would not have completed the necessary inspections or contingencies at that point.

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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://txpromulgatedcontracts.examzify.com

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

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