# TEXAS REAL ESTATE STATE 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. **What is the purpose of the Defeasance Clause related to a Texas property transaction?**

   A. To increase property value

   B. To release a lien when debt is repaid

   C. To allow the lender to raise the interest rate

   D. To waive prepayment penalties

2. **Which principle states that a property's value is affected by the presence of favorable or unfavorable elements in the vicinity?**

   A. Principle of Anticipation

   B. Principle of Change

   C. Principle of Contribution

   D. Principle of Regression

3. **What is the value of property for tax purposes called?**

   A. Assessed Value

   B. Escheat

   C. Eminent Domain

   D. Variance

4. **What is the power given to regulate and control property for the health, safety, and welfare of the public?**

   A. Escheat

   B. Taxation

   C. Police Power

   D. Eminent Domain

5. **What does a "short sale" involve in real estate?**

   A. A sale where the buyer pays in cash

   B. A sale of property for less than the mortgage amount, pending lender approval

   C. A standard sale with a fixed price

   D. A sale that eliminates closing costs

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**6. In the context of business, what do Trade Fixtures directly facilitate?**

A. Home renovations

B. Land development

C. Personal property transactions

D. Required to carry out a business example would be commercial cooking equipment in a restaurant

**7. What is the purpose of a release clause in a lease agreement?**

A. To extend the lease term automatically

B. To allow the landlord to increase rent

C. To permit a tenant to terminate the lease before the agreed expiration date under certain conditions

D. To outline the penalties for breaking the lease

**8. When does the effective date of a contract occur?**

A. At the time of negotiation

B. When the offer is made

C. On the date of closing

D. On the date the last party signs

**9. What must be present for a contract to be considered valid and enforceable under COLIC?**

A. Prohibits monopolies

B. Exchange promises which binds two parties ex sales contract

C. Court prevents the principal from denying that agency, agency by estoppel

D. Competent parties, Offer and Acceptance, Legal Purpose, In writing, Consideration

**10. When must a seller's disclosure be given to a buyer?**

A. At the closing

B. After the offer is signed

C. Before the buyer signs an offer

D. After the inspection

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# Answers

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

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# Explanations

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## 1. What is the purpose of the Defeasance Clause related to a Texas property transaction?

A. To increase property value

B. To release a lien when debt is repaid

C. To allow the lender to raise the interest rate

D. To waive prepayment penalties

*The purpose of the Defeasance Clause in a Texas property transaction is to release a lien when the debt is fully repaid. In real estate financing, a defeasance clause ensures that once the borrower has paid off their mortgage or loan, the lender must provide documentation indicating that the lien on the property is removed. This is crucial for property owners as it helps clear the title of any claims from the lender after obligations have been fulfilled. This clause provides a measure of assurance for property owners, allowing them to gain full ownership free of encumbrances once they meet their financial commitments. The other options pertain to different aspects of real estate and financial agreements, but they do not accurately describe the primary function of the defeasance clause. For instance, while raising interest rates and waiving prepayment penalties may impact loan terms, they do not relate to the release of a lien upon repayment. Additionally, increasing property value is influenced by various market factors and is not the direct result of a defeasance clause.*

## 2. Which principle states that a property's value is affected by the presence of favorable or unfavorable elements in the vicinity?

A. Principle of Anticipation

B. Principle of Change

C. Principle of Contribution

D. Principle of Regression

*The principle that accurately describes how a property's value is influenced by the presence of either favorable or unfavorable external elements is the Principle of Regression. This principle states that a property's value can decline if it is located near less desirable properties, neighborhoods, or amenities. For example, a well-maintained home could lose value if it is situated next to a dilapidated structure or an undesirable area. Conversely, the presence of higher-quality properties in the vicinity can enhance a property's value, illustrating the impact of surrounding factors on real estate. In contrast, the Principle of Anticipation pertains to how the expectations of future benefits (or detriments) can influence current property values. The Principle of Change indicates that real estate is always changing due to various factors, like economic shifts, demographic trends, or changes in property use. The Principle of Contribution focuses on how much value a specific improvement or feature adds to a property relative to its cost, rather than the impact of outside elements on overall property value. This distinction underscores the uniqueness of the Principle of Regression in illustrating the relationship between a property's value and its surrounding environment.*

## 3. What is the value of property for tax purposes called?

A. Assessed Value

B. Escheat

C. Eminent Domain

D. Variance

*The value of property for tax purposes is called the Assessed Value. This value is used by local governments to determine the property taxes that a property owner is required to pay. Option B, Escheat, refers to the process where property reverts to the state when a person dies without a will and without heirs. Option C, Eminent Domain, is the government's power to take private property for public use with just compensation. Option D, Variance, is a request for an exception to a zoning law due to a special circumstance regarding a property.*

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## 4. What is the power given to regulate and control property for the health, safety, and welfare of the public?

A. Escheat

B. Taxation

C. Police Power

D. Eminent Domain

*The correct answer is the power known as police power. This authority is granted to state and local governments to enact regulations that promote the health, safety, morals, and general welfare of the public. Police power allows governments to create zoning laws, building codes, and other regulations that dictate how land can be used and developed, ensuring that communities function safely and efficiently. For instance, through police power, a city might impose restrictions on certain types of businesses in residential areas to maintain a peaceful living environment. This power is essential for balancing individual property rights with the needs of the wider community. In contrast, escheat refers to the process where the state claims ownership of property when an individual dies without a will or legal heirs. Taxation is the method by which governments collect funds from property owners, which is generally intended for public services and infrastructure. Eminent domain is the government's ability to take private property for public use, with compensation provided to the property owner. While closely related to property regulation, eminent domain specifically addresses the acquisition of property rather than the broader regulation encompassed by police power.*

## 5. What does a "short sale" involve in real estate?

A. A sale where the buyer pays in cash

B. A sale of property for less than the mortgage amount, pending lender approval

C. A standard sale with a fixed price

D. A sale that eliminates closing costs

*A short sale in real estate is a transaction in which the property is sold for less than the outstanding mortgage balance, and this sale requires the approval of the lender. This situation typically arises when the homeowner is facing financial difficulties and cannot continue making mortgage payments. By agreeing to a short sale, the lender allows the property to sell for less than what is owed on the mortgage, providing a way for the homeowner to avoid foreclosure and for the lender to recoup some of their losses. The process usually involves negotiations with the lender to accept the sale price as full satisfaction of the debt, which means the lender must review the financial situation to determine if they will grant approval for this arrangement. This is crucial, as the lender must agree to forgive the remaining balance after the short sale, averting the borrower from facing further financial liability. In contrast, the other options discuss concepts that don't align with the specific definition of a short sale in real estate. For instance, a cash sale refers to the payment method and has no direct relation to mortgage balances or lender approvals, while a standard sale generally reflects a sale at market value without the complications of lender negotiations. Lastly, the notion of eliminating closing costs is a separate issue and does not pertain to the fundamental*

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## 6. In the context of business, what do Trade Fixtures directly facilitate?

A. Home renovations

B. Land development

C. Personal property transactions

D. Required to carry out a business example would be commercial cooking equipment in a restaurant

*Trade fixtures are items of personal property utilized to conduct business operations. These items are typically installed in a commercial space but are owned by the business tenant rather than the property owner. The key characteristic of trade fixtures is that they are necessary for the functioning of a business. For instance, commercial cooking equipment in a restaurant illustrates this concept perfectly, as it is essential for the restaurant's operations but is not inherently part of the building itself. Understanding trade fixtures helps clarify their role in commercial real estate, especially regarding lease agreements and the distinction between personal property and real property. When a business vacates a property, it generally has the right to remove its trade fixtures, as these items are considered personal property and integral to the business's ability to operate. This understanding is foundational in real estate, particularly in commercial contexts, as it influences how businesses plan their operations and manage their leasing agreements.*

## 7. What is the purpose of a release clause in a lease agreement?

A. To extend the lease term automatically

B. To allow the landlord to increase rent

C. To permit a tenant to terminate the lease before the agreed expiration date under certain conditions

D. To outline the penalties for breaking the lease

*A release clause in a lease agreement serves a specific purpose that allows greater flexibility for the tenant. It permits the tenant to terminate the lease before the agreed expiration date, but only under certain conditions that are typically outlined in the lease. This allows tenants to exit the agreement without facing significant penalties, which is particularly useful in situations such as job relocations, financial hardship, or personal circumstances that require a change in residency. The inclusion of a release clause benefits both landlords and tenants by providing a clear process for ending the lease early, thus avoiding potential disputes. For landlords, it can help ensure that they are informed in advance if a tenant intends to leave, allowing them to seek new tenants without prolonged vacancy periods. This understanding of release clauses reinforces the importance of reviewing lease agreements carefully, as the specific conditions under which a release may be invoked can vary between contracts. In contrast to other options, which involve automatic extensions, rent increases, or penalties, the release clause's primary role is to facilitate early lease termination under agreed conditions, thus offering vital protections for tenants in various life circumstances.*

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## 8. When does the effective date of a contract occur?

A. At the time of negotiation

B. When the offer is made

C. On the date of closing

D. On the date the last party signs

*The effective date of a contract is established on the date the last party to the agreement signs the contract. This moment signifies mutual acceptance of all terms outlined in the contract by both parties involved. Until this point, there may be negotiations, offers, and discussions, but the contract has not yet come into effect. Although negotiations and offers are essential in the contracting process, they do not create an enforceable agreement until both parties have agreed to the final terms. The date of closing refers to the time when the transaction is completed and ownership is transferred, but it does not denote the beginning of the contractual obligations outlined in the agreement. Thus, the defining moment for determining when a contract becomes effective is indeed the date when all parties have signed, indicating that there is a mutual agreement to the terms set forth.*

## 9. What must be present for a contract to be considered valid and enforceable under COLIC?

A. Prohibits monopolies

B. Exchange promises which binds two parties ex sales contract

C. Court prevents the principal from denying that agency, agency by estoppel

D. Competent parties, Offer and Acceptance, Legal Purpose, In writing, Consideration

*A contract must include specific elements to be considered valid and enforceable, which are summarized in the acronym COLIC. The components of COLIC stand for Competent parties, Offer and Acceptance, Legal Purpose, In writing, and Consideration. 1. **Competent Parties**: This means that the parties involved in the contract must have the legal capacity to enter into an agreement. They should be of legal age and mentally competent. 2. **Offer and Acceptance**: There must be a clear offer made by one party and an acceptance of that offer by another party. This mutual agreement is essential for establishing the intent of both parties to be bound by the contract. 3. **Legal Purpose**: The contract must be for a lawful purpose. If the contract involves illegal activities, it cannot be enforced. 4. **In Writing**: Certain contracts, especially those that fall under the Statute of Frauds (like real estate transactions), must be in writing to be enforceable. This requirement helps ensure clarity and prevent misunderstandings. 5. **Consideration**: There must be something of value exchanged between the parties, whether money, services, or goods. This element establishes that each party has a stake or interest in the contract. Each of*

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## 10. When must a seller's disclosure be given to a buyer?

A. At the closing

B. After the offer is signed

C. Before the buyer signs an offer

D. After the inspection

*The correct answer indicates that a seller's disclosure must be provided to a buyer before the buyer signs an offer. In Texas, the law requires that the seller notify potential buyers about the property's condition and any known issues prior to the buyer making a formal offer. This ensures that buyers are fully informed about the property, which can significantly influence their decision-making process. Providing the disclosure early in the transaction allows prospective buyers to assess any risks or concerns, potentially saving them from surprises later in the transaction process. The intent is to foster transparency and promote informed decision-making. By receiving this information upfront, buyers can evaluate whether they still want to proceed with an offer based on the condition of the property. The timing of the seller's disclosure is an important aspect of the real estate transaction process, aimed at protecting the interests of both parties involved. It encourages trust and fairness in the real estate market, preventing disputes that might arise from undisclosed issues.*

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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://texasrealestate.examzify.com

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

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