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LAWRENCE SAGER

Guide to Passing the PSI Real Estate Exam

SEVENTH EDITION

Dearborn[™]
Real Estate Education

SAMPLE

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DEDICATION

This book is dedicated to my wonderful wife, Adrienne, for all her support and encouragement.

SAMPLE

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PREFACE

All states require applicants for real estate licenses to pass a state license exam, and most states currently employ professional testing organizations to aid them in the development and administration of licensing examinations. One of these organizations is PSI Examination Services, of Glendale, California, which has developed widely used licensing exams for real estate professionals.

The focus of this study guide is preparation for PSI's real estate salesperson and broker licensing examinations. Of the existing books devoted to preparing for real estate licensing exams, this was the first study guide geared specifically to the current format of the PSI examination. The PSI exam is distinctive and challenging. As such, it warrants the specialized focus of *Guide to Passing the PSI Real Estate Exam*, hereafter referred to as the *Guide*.

This book is intended to guide prospective licensees in their preparation for the exam; it is intended to *direct* their effort. The study aids presented will help the student make the best use of his or her preparation time. It is hoped that this study guide will enable the prospective salesperson or broker to achieve success not only on the licensing exam but ultimately in the dynamic field of real estate.

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ABOUT THE AUTHOR

Lawrence Sager is a licensed real estate broker, certified residential appraiser, AQB-certified USPAP instructor, and REALTOR®. He holds a master's degree in urban land economics from the University of Illinois and was Real Estate Coordinator at Madison Area Technical College (MATC). His writings have appeared in numerous publications on real estate and related fields.

Larry has acted as a research consultant for MATC, the University of Wisconsin, and other public and private organizations. He is a Certified Fair-Housing trainer and has served as president of the Community Reinvestment Alliance. He has worked with the Wisconsin Real Estate Examining Board as a course writer and as the assistant executive secretary in the certification of educational programs for real estate licensure. He is a member of the Professional Standards committee of the REALTORS® Association of South Central Wisconsin and served for nine years on the Governor's Council on Real Estate Curriculum and Examinations. Previously, he has held membership on the Appraiser Application Advisory Committee of the Wisconsin Department of Regulation and Licensing and on the Advisory Committee on Continuing Assessor Education of the Wisconsin Department of Revenue. He currently serves as an expert witness in the areas of real estate practice and law, as well as competency of real estate licensees.

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Use of the Manual

The intent of this manual is to prepare you on as many levels as possible to pass the real estate licensing examination compiled by the PSI Examination Services, Glendale, California. The *Guide* addresses two primary aspects of test taking:

- The structure and format of the exam
- The content of the exam

The organization of the *Guide* follows these two basic concerns. In addition to suggesting the most efficient use of this manual, Chapter 1 provides specific information about the PSI organization, testing procedures, and the test itself. Chapter 2, Examination and Study Strategies, is intended to familiarize you with the *format* of the questions in the PSI exam and suggests a strategy for optimizing test scores. Several studies have shown that given two examinees of equal ability and subject knowledge, the one who is more familiar with the form and style of the test will consistently score better than the other. Accordingly, Chapter 2 discusses the mechanics and the strategies of a test. It explains, for example, the parts of a question and how a typical question is developed. It illustrates how to analyze a question for clues to the right answer and how to determine what skills the question is intended to measure. Particular attention is given to the types of questions used by PSI in its real estate licensing examinations.

Chapter 2 also presents a strategy for optimizing test results by using the diagnostic exams following the content outlines presented in Chapters 3 through 11, and 13. Chapter 12 is a test of real estate calculations.

Chapter 14, Salesperson Examinations, and Chapter 15, Broker Examinations, afford an opportunity to take sample exams to measure your knowledge and the test-taking skills you have gained.

The Glossary is a reference list of real estate terms and definitions.

EXAMINATION INFORMATION

The PSI salesperson exam contains from 110 to 120 multiple-choice questions. Ample time is allowed to complete the test.

The exam has two parts. The first part is an 80-question national test that measures your understanding of real estate practices and principles common throughout the country.

The second part of each exam (30 to 40 questions) is the state test. These questions focus on real estate regulations and practices and state statutes that are unique to that state. More information on the content of this part of the exam can be obtained from your real estate commission and the PSI candidate bulletin for the state.

All questions on the broker and salesperson examinations are multiple choice, with four alternatives. (Formats are discussed in detail in Chapter 2, “Examination and Study Strategies.”) Objective, or multiple-choice questions, are advantageous, because they can accurately test several different levels of an applicant’s knowledge in a limited amount of time and can be scored quickly.

Each answer has the same value—no penalty is imposed for wrong answers. This means that it will benefit you to answer all the questions on the exam as best you can.

Examinees must pass both the national section and the state section of the test. The required percentage of correct answers varies from one licensing Commission to another; this information is available from your local school, commission jurisdiction, or in the PSI candidate handbook for your state. Upon completion of both sections of the test, the computer screen displays a score report. Each of these reports indicates the examinee’s scores on each of the two major sections of the exam (national and state), as well as on the various content areas in each major section. The scores represent the examinee’s performance on a scale of 0 to 100. PSI does not allow an applicant to review her or his actual examination or the questions that were given.

All PSI exams are administered via computer. Candidates may fill out the special accommodation form if they are in need of a paper examination. However, they need to attach a letter from a professional stating the reason for this request. Most states require two forms of identification, and non-programmable calculators are allowed.

Standard instructions and procedures are part of the written exam booklet and probably will be read to you by a test supervisor before you begin the exam. When you get your test booklet, read the directions completely.

Taking the PSI examination by computer is simple; neither computer experience nor typing skills are required for taking the test, which requires you to use fewer than 12 keys. Upon being seated at the computer terminal, you will be prompted to confirm your name, identification number, and the examination for which you are registered.

Prior to your starting the exam, an introduction to the computer and keyboard appears on the screen. The time allowed for this introduction will not count as part of your exam time.

The introduction includes a sample screen display telling you to press 1, 2, 3, or 4 to select your answer or to press ? to mark for a later review. You then press the enter key to record your answer before moving on to the next question. You may change your answer as often as you like before pressing the enter key. Note that during the examination, the top of the screen displays the time remaining for your examination and is updated as you record your answers. If you have time remaining after you have answered every question in the examination, you will be given the opportunity to review all of the questions in the examination. You also will have the choice of reviewing only those questions that you marked for review or ending your examination and seeing your results. You may change your answers during the review options, and you may repeat the review options as time allows.

For further examination information, you may visit the PSI website at www.psiexams.com.

SALESPERSON EXAMINATION

The content order in Chapters 3 through 13 of this text follows the organization of the basic areas of PSI's national broker and salesperson test.

Chapters 3 through 13 end with a brief examination of the topics covered in each section. These pretests, called diagnostic tests, will help you determine your particular strengths and weaknesses and thus indicate which section of the examination needs additional review. They will identify the specific real estate concept, terminology, or application that you do not fully comprehend. The answers for each pretest are keyed to the page with the information you need to know for that subsection. The recommended procedure for using these sections is to take the diagnostic tests, then check your answers against the answer key provided at the end of the pretest. If your evaluation of your wrong answers indicates that you misunderstand the topic, study the chapter again. If your evaluation on the pretest indicates that you understand the concept but missed the question because of its structure, then reread Chapter 2, Examination and Study Strategies. If math is a problem area, check Chapter 12 for a basic real estate calculations review.

When you feel sufficiently prepared, turn to the 80-question sample exams in Chapter 14 (for salesperson) or Chapter 15 (for broker). These exams closely approximate an actual PSI exam in content and format and offer an opportunity to thoroughly test your knowledge and test-taking skills. The answer key and its explanations will help you identify your problem topics, which are based on the results of your diagnostic tests and the sample exam. Consider consulting real estate principles and practice texts if you missed a significant number of questions that relate to the specific topic.

PSI Test Specifications for Salespeople

In the national portion of the real estate licensing examination for salespersons, PSI has defined its testing priorities and outline as follows:

- **Property Ownership** (7 questions) covers general topics, such as classes of property, land characteristics, encumbrances, types of ownership, and physical descriptions of property.
- **Land-Use Controls and Regulations** (5 questions) covers the kinds of restrictions that can limit property use, including public restrictions, such as zoning ordinances and building and housing codes, and private restrictions, such as those identified in deed restrictions.
- **Valuation and Market Analysis** (8 questions) covers the methods used to estimate value, competitive market analysis, and transactions requiring formal approval.
- **Financing** (6 questions) covers a knowledge of financing alternatives and practices of financial institutions.
- **Laws of Agency** (10 questions) covers agency relationships, common types of agency, disclosure of agency, and compensation.
- **Mandated Disclosures** (8 questions) covers property disclosure forms, inspection, and material facts.
- **Contracts** (11 questions) covers topics such as offer/purchase agreements, counteroffers, leases as contracts, and rescission and cancellation agreements.
- **Transfer of Title** (5 questions) covers topics such as title insurance, deeds, escrow or closing, and tax aspects.
- **Practice of Real estate** (12 questions) covers fair housing laws, advertising, ethical issues, and broker/salesperson agreements.
- **Real Estate Calculations** (6 questions) covers general math concepts, property tax calculations, and mortgage and lending calculations.
- **Specialty Areas** (2 questions) covers topics such as commercial/business property.

BROKER EXAMINATION

The broker exam is composed of 100 to 150 questions (80 to 100 in the national test and, usually, 25 to 50 in the state test) and lasts up to five hours. Chapter 15 of the *Guide*, Broker Examinations, contains a discussion of the broker exam, and two 80-question sample exams. The answer key that follows includes discussions of the answers and references to the page numbers that cover the topics.

The concepts-to-understand outlines and diagnostic tests in Chapters 3 through 11 and 13, the math review in Chapter 12, and the sample exams in Chapters 14 and 15, should be of considerable study value to the prospective broker in preparing for the exam.

PSI Test Specifications for Brokers

In the national portion of the real estate licensing examination for brokers, PSI includes the same categories covered in the salesperson exam. The difference

between the two national tests is the proportion of questions in each category. The distribution in the broker exam is as follows:

- **Property Ownership** (6 questions)
- **Land-Use Controls and regulations** (5 questions)
- **Valuation and Market Analysis** (6 questions)
- **Financing** (7 questions)
- **Laws of Agency** (11 questions)
- **Mandated Disclosures** (9 questions)
- **Contracts** (12 questions)
- **Transfer of Title** (5 questions)
- **Practice of Real Estate** (12 questions)
- **Real Estate Calculations** (4 questions)
- **Specialty areas** (3 questions)

The state supplement exam for brokers contains approximately 25 to 50 questions and is based on a state's statutes, rules, and contractual forms.

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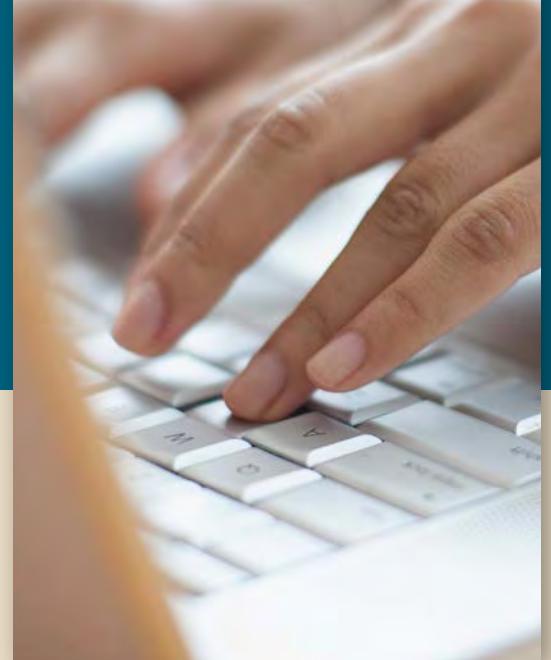
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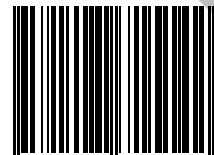
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