

## EXAMINATION DESCRIPTION

RE 425 (Rev. 6/21)

The following description represents the subject matter of both the California real estate salesperson and real estate broker license examination. This description contains seven major areas of real estate subject matter: 1) Property Ownership and Land Use Controls and Regulations, 2) Laws of Agency and Fiduciary Duties, 3) Property Valuation and Financial Analysis, 4) Financing, 5) Transfer of Property, 6) Practice of Real Estate and Disclosures (Includes Specialty Areas), and 7) Contracts.

### **Area 1 — Property Ownership and Land Use Controls and Regulations**

*Approximately 15% of exam*

- Classes of Property
- Property Characteristics
- Encumbrances
- Types of Ownership
- Descriptions of Property
- Government Rights in Land
- Public Controls
- Environmental Hazards and Regulations
- Private Controls
- Water Rights
- Special Categories of Land

### **Area 2 — Laws of Agency and Fiduciary Duties**

*Approximately 17% of exam*

- Law, Definition and Nature of Agency Relationships, Types of Agencies, and Agents
- Creation of Agency and Agency Agreements
- Responsibilities of Agent to Seller/Buyer as Principal
- Disclosure of Agency
- Disclosure of Acting as Principal or Other Interest
- Termination of Agency
- Commission and Fees
- Responsibilities of Agent to Non-Client Third Parties

### **Area 3 — Property Valuation and Financial Analysis**

*Approximately 14% of exam*

- Value
- Methods of Estimating Value
- Financial Analysis

### **Area 4 — Financing**

*Approximately 9% of exam*

- General Concepts
- Types of Loans
- Sources of Financing
- Government Programs
- Mortgages/Deeds of Trust/Notes
- Financing/Credit Laws
- Loan Brokerage
- Types of Loan Originators

When changes in the law occur, or changes in the practice of real estate take place, new subject matter is added to one or more of the seven major areas. Thus, the areas are revised and brought up to date on a regular basis. There is no assurance that a specific test will cover all subject matter listed, because the test merely samples the broad field of real estate.

Because there are differences in the level and amount of knowledge required of salespersons and brokers, the exams differ in their emphasis and difficulty.

### **Area 5 — Transfer of Property**

*Approximately 8% of exam*

- Title Insurance
- Deeds
- Escrow
- Tax Aspects
- Special Processes
- Transfer Through Court Supervision
- Types of Vesting

### **Area 6 — Practice of Real Estate and Disclosures (Includes Specialty Areas)**

*Approximately 25% of exam*

- Trust Account Management
- Fair Housing Laws
- Truth in Advertising
- Record Keeping Requirements
- Agency Supervision
- Permitted Activities of Unlicensed Sales Assistants
- DRE Jurisdiction and Disciplinary Actions
- Licensing and Continuing Education Requirements and Procedures
- California Real Estate Recovery Fund
- General Ethics
- Technology
- Property Management
- Commercial/Industrial/Income Properties
- Specialty Areas
- Transfer Disclosure Statement
- Natural Hazard Disclosure Statements
- Disclosure of Material Facts Affecting Property Value
- Need for Inspection and Obtaining/Verifying Information
- Reports
- Servicing Diverse Populations

### **Area 7 — Contracts**

*Approximately 12% of exam*

- General
- Listing Agreements
- Buyer Broker Agreements
- Offers/Purchase Contracts
- Agreements
- Promissory Notes/Securities
- Purchase/Lease Options
- Advanced Fee

*(Continued on page 2)*

The following is a list of 10 sample questions to help examinees familiarize themselves with the types of questions that will appear on the real estate examinations. The correct answer is underlined for each question.

*Please note - the sample questions below will not appear on the real estate examinations.*

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1. Which of the following elements is required in a valid bill of sale?
    - (a) The date
    - (b) The acknowledgement
    - (c) The seller's signature
    - (d) The verification
  2. Which of the following loans describe a balloon loan?
    - (a) A fully amortized loan
    - (b) A partially amortized loan
    - (c) A self-liquidating loan
    - (d) A standing loan
  3. Which of the following instruments transfer possession of real property, but does not transfer ownership?
    - (a) A trust deed
    - (b) A sublease
    - (c) A security agreement
    - (d) An easement grant
  4. How many years is a real estate broker required to keep copies of trust account records?
    - (a) One year
    - (b) Three years
    - (c) Five years
    - (d) Seven years
  5. Which of the following legal processes give the government the right to take private land for public use?
    - (a) Police Power
    - (b) Eminent domain
    - (c) Reverter
    - (d) Escheat
  6. If an interest in real property is acquired by prescription, which of the following privileges transfer to the acquiring party?
    - (a) The right to use another's land
    - (b) A possessory title
    - (c) An equitable interest
    - (d) A private grant
  7. Where are grant deeds recorded for real property?
    - (a) With the title company
    - (b) With the lender
    - (c) With the county
    - (d) With the city
  8. Which type of tenancy is considered joint ownership of real property by two or more persons with undivided interest (not necessarily equal) without the right of survivorship?
    - (a) Tenancy in partnership
    - (b) Tenancy by the entirety
    - (c) Tenancy in common
    - (d) Leasehold Tenancy
  9. What is the Federal Housing Administration's role in the financing of real property?
    - (a) Act as the lender of funds
    - (b) Insure loans made by approved lenders
    - (c) Purchase specific trust deeds
    - (d) Sell loans on the secondary market
  10. Which of the following clauses is included in a trust deed to insure that the rights of the beneficiary shall be primary to all subsequent trust deeds?
    - (a) Acceleration clause
    - (b) Alienation clause
    - (c) Subdivision clause
    - (d) Subordination clause
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