

GUIDE TO PASSING THE

# PSI REAL ESTATE Exam

Now with **5**  
Practice Exams  
and More than  
**800** Practice  
Questions!

**5<sup>TH</sup>** EDITION

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Consulting Editor

# CHAPTER

# 1

## Use of the Manual

The aim 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:

1. the structure and format of the exam, and
2. 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 to 11, 13, and 14. Chapter 12 is a test of real estate mathematics.

Chapter 15, "Salesperson Examinations," and Chapter 16, "Broker Examinations," afford an opportunity to take sample exams to measure your knowledge and the test-taking skills you have gained. New to the 5th edition are three appendices containing additional math practice and pertinent reference material for new salespersons:

- Appendix A: Mathematical Formulas at a Glance
- Appendix B: Mathematics Practice and Review (50 typical math-related problems that real estate practitioners encounter, with solutions)

### ■ Appendix C: Web Site and Palm Directory

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

## **EXAMINATION INFORMATION**

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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 test that measures your understanding of real estate practices and principles common to all the participating jurisdictions. Discussions provide a breakdown of the divisions of the national test and their relative importance in the exam.

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

All questions on the 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. The answer sheet should be free of all marks except filled-in ovals and identifying information; marking more than one answer to a question counts as a wrong answer.

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 jurisdiction. PSI policy is to send score reports only to those examinees who have failed. 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. At present, PSI does not allow an applicant to review her or his examination.

On the day of your real estate exam, take your test center admission ticket, personal identification, several number-two pencils, an eraser, and a watch to the testing center. Many jurisdictions allow examinees to use silent, battery-powered calculators, although these calculators cannot have alphabetic keypads or paper tape. Slide rules also are allowed, but you should be able to work the math problems without such aids. No other paper or aids should be taken to the test site.

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. When you receive your

answer sheet from the test supervisor, be sure to enter your identifying information on it properly.

A majority of the states using PSI currently are having their examinees take the exam by computer. 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.

An introduction to the computer and keyboard will appear on the screen prior to your starting the exam. 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 “enter” to record your answer before moving on to the next question. You may change your answer as often as you like before pressing “enter.” Note that during the examination, the time remaining for your examination will be displayed at the top of the screen and 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. You may repeat the review options as time allows.

For further examination information you may visit the PSI Web site at [www.psiexams.com](http://www.psiexams.com).

## **SALESPERSON EXAMINATION**

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

Chapters 3 to 11 and 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 mathematics review.

When you feel sufficiently prepared, turn to the 80- or 100-question sample exams in Chapter 15 (for salesperson) or Chapter 16 (for broker). These exams closely approximate an actual PSI exam in content and format. They 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, 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 a 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 descriptions of property.
- **Land-Use Controls and Regulations** (7 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** (7 questions) Covers the methods used to estimate value, competitive market analysis, and transactions requiring formal approval.
- **Financing** (8 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** (6 questions) Covers property disclosure forms, inspection, and material facts.
- **Contracts** (10 questions) Covers topics such as offer/purchase agreements, counteroffers, leases as contracts, and rescission and cancellation agreements.
- **Transfer of Property** (7 questions) Covers topics such as title insurance, deeds, escrow or closing, and tax aspects.
- **Practice of Real Estate** (10 questions) Covers fair housing laws, advertising, ethical issues, and broker/salesperson agreements.
- **Mathematics** (5 questions) Covers general math concepts, property tax calculations, and mortgage and lending calculations.
- **Specialty Areas** (3 questions) Covers topics such as property management and commercial/business property.

# GUIDE TO PASSING THE **PSI** REAL ESTATE EXAM, 5th Edition

## Prepare

- Based on the latest PSI content outline
- Essential study tips and test-taking guidance, including typical PSI-style questions
- Self-scoring feature in each chapter to chart learning progress
- Appendix of Mathematical Formulas for easy reference

**New!**

## Practice

- Over 800 questions and rationales to prepare for the PSI Exam
  - More than 300 end-of-chapter questions that focus on particular topic areas of the exam
  - Three practice salesperson exams and two broker exams that cover all content areas
- Fifty-problem Math Review Appendix, with step-by-step answers
- Matching quizzes for every chapter, covering all key terms and concepts

**New!**

**New!**

## Pass

- The most comprehensive preparation tool available for the PSI real estate salesperson and broker exams

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