NACA PRE-PURCHASE 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 must VIP Members maintain to keep their status?

A. The highest mortgage qualifications

B. Exceptional contributions and compliance with NACA policies

C. Membership in multiple associations

D. An active participation in meetings

2. In a self-employment income calculation using a Corporate method, what must be included alongside reported earnings?

A. Business-related travel expenses

B. W-2 earnings, depreciation, and ownership percentages

C. Only the net profit

D. Only salary paid to the member

3. Who is included in the Membership Assistance Program Department?

A. Real Estate Coordinators

B. Advocacy Coordinators

C. MAP Advocates

D. Service Representatives

4. What type of financing is needed after obtaining a construction loan?

A. A second construction loan

B. A permanent financing option

C. A personal loan

D. Only cash payments

5. What is one hardship reason acceptable for withdrawing from a 401k?

A. Vehicle purchase

B. Medical expenses

C. Business start-up

D. Travel expenses

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6. What is the minimum amount of the MRF that must be liquid at qualification?

A. $1,000

B. $2,000

C. $2,500

D. $3,500

7. Which calculation is used to determine the qualifying income for a Corporate Member?

A. Only the profit reported on the last year's tax return

B. The total income calculated from the last two years tax returns

C. The average of monthly expenses

D. Only the salary reported to the IRS

8. Which characteristic defines a Non-Priority Member?

A. Income is less than 80% of AMI

B. Household income exceeds median family income

C. Eligible to purchase anywhere

D. Income is at exactly 100% of the AMI

9. What percentage of income is used to reduce PITI for vacant units according to the affordability calculation rule?

A. 50%

B. 75%

C. 100%

D. 25%

10. How is a non-borrowing household member's debt treated when calculating overall ratios?

A. It is completely ignored

B. If income is less than three times the debt, it counts

C. Only half of the debt is considered

D. It is added to the borrowing member's liabilities

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Answers

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

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Explanations

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1. What must VIP Members maintain to keep their status?

A. The highest mortgage qualifications

B. Exceptional contributions and compliance with NACA policies

C. Membership in multiple associations

D. An active participation in meetings

VIP Members must maintain exceptional contributions and compliance with NACA policies to retain their status. This involves not only adhering to the specific guidelines set forth by the organization but also demonstrating an ongoing commitment to its mission and values. By fostering a strong relationship with NACA and actively engaging in its initiatives, VIP Members validate their importance to the organization, which is crucial for continuing their elevated membership status. Additionally, this requirement emphasizes the significance of active involvement and contribution within the community, ensuring that members are not just participants but advocates for the objectives that NACA stands for.

2. In a self-employment income calculation using a Corporate method, what must be included alongside reported earnings?

A. Business-related travel expenses

B. W-2 earnings, depreciation, and ownership percentages

C. Only the net profit

D. Only salary paid to the member

When calculating self-employment income using a Corporate method, it is essential to incorporate more than just the reported earnings (net profit) of the business. Including W-2 earnings, depreciation, and ownership percentages provides a comprehensive view of the overall income situation. W-2 earnings reflect the salary that an owner-employee draws from the corporation, which is relevant when assessing personal income. Depreciation is a non-cash expense that impacts taxable income but can also provide insight into the financial health of the business. Ownership percentages are crucial for determining the income share attributable to an individual based on their equity in the company, particularly if there are multiple stakeholders involved. This multifaceted approach ensures a more accurate calculation of self-employment income, which is necessary for lenders and other parties to assess financial stability and creditworthiness accurately.

3. Who is included in the Membership Assistance Program Department?

A. Real Estate Coordinators

B. Advocacy Coordinators

C. MAP Advocates

D. Service Representatives

The Membership Assistance Program (MAP) Department specifically includes MAP Advocates, who are tasked with assisting members in navigating the complexities of accessing services and support provided by the organization. These advocates focus on promoting member engagement and helping individuals understand their rights and benefits within the membership framework. They play a vital role in addressing member inquiries and providing tailored assistance based on the unique needs of each member. While other roles mentioned, such as Real Estate Coordinators, Advocacy Coordinators, and Service Representatives, may support members in various capacities, they are not specifically part of the Membership Assistance Program Department. Their functions may involve different aspects of service delivery but do not align directly with the MAP's primary focus on advocating for membership assistance.

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4. What type of financing is needed after obtaining a construction loan?

A. A second construction loan

B. A permanent financing option

C. A personal loan

D. Only cash payments

After obtaining a construction loan, the appropriate next step for financing is to secure a permanent financing option. This is because a construction loan is typically a short-term loan designed specifically to cover the costs of building a home. Once construction is completed, the financing needs to transition to a permanent mortgage, which provides long-term funding to purchase the home. This shift is essential as the construction loan generally has a limited term and often requires full repayment upon completion of the project. Permanent financing options typically include fixed-rate mortgages or adjustable-rate mortgages, which allow homeowners to repay their mortgage over a more extended period, usually 15 to 30 years. This not only provides a manageable payment structure but also converts a temporary borrowing solution into a long-term investment in the property. The other financing types mentioned would not fulfill the specific needs associated with transitioning from construction to long-term home financing. A second construction loan would not be applicable unless further build-out is needed. A personal loan may not offer the necessary amounts or terms suitable for long-term home financing. Lastly, relying solely on cash payments would be impractical for most buyers, as it would require substantial liquid assets.

5. What is one hardship reason acceptable for withdrawing from a 401k?

A. Vehicle purchase

B. Medical expenses

C. Business start-up

D. Travel expenses

Withdrawing from a 401(k) typically comes with strict regulations, particularly concerning what qualifies as a legitimate hardship. One of the defined hardship reasons is medical expenses. This includes costs that are directly associated with medical care that are not covered by insurance, such as large out-of-pocket expenses for surgeries, treatments, or long-term health conditions. The rationale behind allowing withdrawals for medical expenses is that such situations often place a significant financial burden on individuals, making it crucial for them to access their retirement funds to cover essential and often urgent financial needs. Using retirement funds for medical emergencies reflects the plan's intention to support individuals facing significant financial challenges due to health-related issues. In contrast, the other options listed, such as purchasing a vehicle, starting a business, or traveling, generally do not qualify under hardship withdrawal guidelines, as they are considered personal choices rather than essential financial needs.

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6. What is the minimum amount of the MRF that must be liquid at qualification?

A. $1,000

B. $2,000

C. $2,500

D. $3,500

The minimum amount of the MRF, or Minimum Reserve Fund, that must be liquid at the time of qualification is $2,500. This amount is established to ensure that the buyer has sufficient funds readily available to cover any initial expenses related to homeownership, such as closing costs or emergency repairs after purchase. The focus on liquidity emphasizes the importance of having cash that is easily accessible, which can significantly contribute to the financial stability of the buyer during the transition to homeownership. This requirement serves as a safeguard that assists in ensuring prospective homeowners are adequately prepared for the responsibilities they are about to undertake.

7. Which calculation is used to determine the qualifying income for a Corporate Member?

A. Only the profit reported on the last year's tax return

B. The total income calculated from the last two years tax returns

C. The average of monthly expenses

D. Only the salary reported to the IRS

The qualifying income for a Corporate Member is determined by the total income derived from the last two years of tax returns. This approach allows for a more comprehensive assessment of the financial performance of the corporation by taking into account fluctuations or variations in income that may occur from year to year. By averaging the reported income over this two-year period, it provides a more stable and accurate representation of the company's financial health, which is vital for financial institutions when evaluating the ability to repay loans or meet other financial obligations. This method also helps to smooth out any anomalies that may exist in a single year's income due to seasonal fluctuations, temporary loss of revenue, or extraordinary gains that are not indicative of regular business performance. Therefore, examining two years' worth of tax return data reflects a longer-term perspective of the company's income potential, making it a more reliable basis for qualifying income assessments.

8. Which characteristic defines a Non-Priority Member?

A. Income is less than 80% of AMI

B. Household income exceeds median family income

C. Eligible to purchase anywhere

D. Income is at exactly 100% of the AMI

The characteristic that defines a Non-Priority Member is that their household income exceeds the median family income. This means that individuals or families who fall into this category have financial means that are above the typical thresholds set for lower-income support programs. Non-Priority Members often do not qualify for certain benefits or resources aimed at assisting those with lower incomes, which is essential in determining access to various housing and financial programs. In contrast, being below a specific income threshold, qualifying for any location eligibility, or having an income that is precisely at the AMI does not classify someone as a Non-Priority Member. Instead, those markers are typically associated with different eligibility criteria for assistance programs or classifications regarding housing purchases. Understanding this distinction is crucial in navigating the options and resources available for potential homebuyers.

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9. What percentage of income is used to reduce PITI for vacant units according to the affordability calculation rule?

A. 50%

B. 75%

C. 100%

D. 25%

The affordability calculation rule establishes guidelines for assessing the income that can be used to reduce Principal, Interest, Taxes, and Insurance (PITI) for vacant units. Under this rule, utilizing 75% of a household's income is pivotal because it reflects a realistic approach to managing financial obligations while accounting for the costs associated with vacant units. This percentage ensures that potential rental income considerations are balanced with the risks and challenges that come from having units vacant. Choosing 75% allows enough leeway to maintain a sustainable budget while recognizing that not all income will necessarily be available to cover housing costs, especially in situations where units may not be generating income. This percentage acknowledges the nuances of vacancy rates, potential repairs, or other related expenses. By applying 75% to the affordability calculation, lenders and housing authorities can offer a more accurate assessment of financial readiness and stability for the prospective buyer or tenant.

10. How is a non-borrowing household member's debt treated when calculating overall ratios?

A. It is completely ignored

B. If income is less than three times the debt, it counts

C. Only half of the debt is considered

D. It is added to the borrowing member's liabilities

When calculating overall ratios for mortgage applications, a non-borrowing household member's debt is treated by adding it to the borrowing member's liabilities. This approach acknowledges that the non-borrower's financial obligations can still impact the household's overall financial health and ability to manage debt. Including this debt in the calculation provides a more accurate picture of the household's financial situation, as it reflects the total liabilities the household is responsible for, regardless of whether all members are borrowing. In lending assessments, financial institutions strive to gauge both the individual and collective financial status of all household members. By incorporating the debt of non-borrowing members, lenders can ensure that they are not underestimating the financial strain on the borrowing member, leading to a better-informed decision about loan eligibility and offerings. On the other hand, ignoring the debts of non-borrowing members or assessing them in a limited manner, such as counting only a portion or contingent on income criteria, would misrepresent the financial responsibilities that the borrowing member may need to account for. Thus, the most comprehensive and prudent approach is to add those debts to the liabilities of the borrowing member.

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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:

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

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