NMLS UNIFORM STATE TEST (UST) MORTGAGE 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. Which statement is true about selling concessions on a VA loan?

A. The seller can contribute unlimited concessions

B. The seller may contribute up to 4% of the closing costs

C. The seller's contribution is capped at 1% of the loan amount

D. Only the buyer can pay for closing costs

2. Which entity is responsible for advising and consulting on the CFPB's functions regarding Federal consumer financial laws?

A. Consumer Financial Board

B. Consumer Advisory Board

C. Federal Reserve Board

D. Consumer Rights Association

3. The finance charge refers to what aspect of a loan?

A. The total cost of the loan in dollars, including points and mortgage insurance

B. The monthly payment amount

C. The interest-only payment over the loan term

D. The cost of property insurance

4. What does ECOA allow an MLO to inquire about regarding a borrower?

A. Citizenship

B. Income history

C. Employment status

D. Credit score

5. What are the debt-to-income ratios for an FHA loan?

A. 28/36

B. 31/43

C. 25/30

D. 29/41

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6. Who benefits from the provisions of the Fair and Accurate Transactions Act?

A. Real Estate Agents

B. Consumers

C. Lenders

D. Regulators

7. Under what condition can a reverse mortgage be canceled?

A. Borrower relocates

B. Property remains occupied

C. Borrower dies

D. Home value decreases

8. Which of the following is not one of the six required pieces of information for a complete application under RESPA and TILA?

A. Employment History

B. Appraised Value of Property

C. Income Verification

D. Debt to Income Ratio

9. Which federal law was created to address the practice of redlining?

A. Home Mortgage Disclosure Act

B. Truth in Lending Act

C. Community Reinvestment Act

D. Equal Credit Opportunity Act

10. What is another term commonly used for an interest-only loan?

A. Amortized Note

B. Balloon Note

C. Straight Note

D. Fully Amortized Loan

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Answers

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

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Explanations

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1. Which statement is true about selling concessions on a VA loan?

A. The seller can contribute unlimited concessions

B. The seller may contribute up to 4% of the closing costs

C. The seller's contribution is capped at 1% of the loan amount

D. Only the buyer can pay for closing costs

The statement that the seller may contribute up to 4% of the closing costs on a VA loan is accurate because it aligns with the guidelines set by the Department of Veterans Affairs. VA loans are designed to make home buying more accessible for veterans, and one way to facilitate this is through seller concessions. Seller concessions can help cover various costs associated with the purchase, including closing costs, which may ease the financial burden on the buyer. The 4% limit allows sellers to assist buyers by providing significant support in covering these expenses, making the transaction more feasible for veterans who may already be managing other financial responsibilities. Understanding this aspect of VA loans is important for both buyers and sellers as it can influence negotiations during the home buying process. Proper comprehension of seller contributions can help veterans maximize their benefits and facilitate smoother transactions while also encouraging sellers to remain competitive in the market.

2. Which entity is responsible for advising and consulting on the CFPB's functions regarding Federal consumer financial laws?

A. Consumer Financial Board

B. Consumer Advisory Board

C. Federal Reserve Board

D. Consumer Rights Association

The Consumer Advisory Board is tasked with advising and consulting on the Consumer Financial Protection Bureau's (CFPB) functions related to federal consumer financial laws. This board plays a crucial role in providing valuable insights and recommendations that help shape the CFPB's policies and priorities. It gathers input from various stakeholders in the consumer finance space, ensuring diverse perspectives are considered in the development and implementation of regulations. This advisory role is instrumental as it helps the CFPB understand the needs and challenges faced by consumers, ultimately guiding them in their consumer protection mission. The inclusion of voices from different consumer backgrounds and interests allows for a more comprehensive approach to consumer protection and advocacy, aligning the Bureau's work with the actual concerns of the public. Other entities mentioned do not specifically serve this advisory function to the CFPB on federal consumer financial laws, which is why they don't fit the role that the Consumer Advisory Board fulfills.

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3. The finance charge refers to what aspect of a loan?

A. The total cost of the loan in dollars, including points and mortgage insurance

B. The monthly payment amount

C. The interest-only payment over the loan term

D. The cost of property insurance

The finance charge is a critical concept in understanding the overall cost of a loan. It represents the total dollar amount that a borrower will pay for borrowing money, which includes not just the interest on the loan, but also additional costs associated with obtaining the loan, such as points (which are upfront fees paid to lower the interest rate), mortgage insurance, and any other fees charged by the lender. This comprehensive view allows borrowers to grasp the complete financial obligation they will incur over the life of the loan. Other choices do not accurately reflect the full scope of what a finance charge encompasses. The monthly payment only accounts for periodic amounts and does not provide a complete view of total costs. Similarly, an interest-only payment is merely one component of the loan's structure and does not include other fees or costs. Lastly, the cost of property insurance is a separate cost associated with homeownership and is not part of the finance charge related to the borrowing itself. Therefore, option A accurately captures the essence of the finance charge as it consolidates all relevant costs into a single figure reflecting the true expense of financing a loan.

4. What does ECOA allow an MLO to inquire about regarding a borrower?

A. Citizenship

B. Income history

C. Employment status

D. Credit score

The Equal Credit Opportunity Act (ECOA) allows a Mortgage Loan Originator (MLO) to inquire about a borrower's citizenship status in order to ensure compliance with various regulatory requirements. Understanding citizenship is crucial because it can impact the borrower's eligibility for certain types of loans, especially federal financing programs. ECOA aims to prevent discrimination in lending based on characteristics such as race, color, religion, national origin, sex, marital status, or age. However, it does permit inquiries related to citizenship, as it relates directly to the eligibility of the borrower for credit products. While income history, employment status, and credit score are also important factors that MLOs consider when evaluating a borrower's loan application, ECOA does not specifically address or restrict inquiries about these aspects in the same way it does for citizenship status. Instead, these factors are standard components of the lending process aimed at assessing the ability of a borrower to repay the loan.

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5. What are the debt-to-income ratios for an FHA loan?

A. 28/36

B. 31/43

C. 25/30

D. 29/41

The debt-to-income ratios for an FHA loan are indeed 31/43. This means that for qualifying for an FHA loan, a borrower can have a maximum of 31% of their gross monthly income allocated to housing-related expenses, which includes mortgage payments, property taxes, homeowners' insurance, and the like. Additionally, the borrower can have a total debt-to-income ratio of up to 43%, which considers all monthly debt obligations such as credit cards, car loans, and other installment loans in relation to their gross monthly income. Utilizing these ratios helps lenders assess a borrower's ability to manage monthly payments and repay loans effectively, ensuring that borrowers do not take on more debt than they can handle. FHA loans are designed to help promote homeownership, particularly for first-time buyers and individuals with lower or moderate income levels, making these ratios integral to their underwriting guidelines. Understanding these specific benchmarks is crucial for mortgage professionals and prospective homebuyers when navigating the lending landscape.

6. Who benefits from the provisions of the Fair and Accurate Transactions Act?

A. Real Estate Agents

B. Consumers

C. Lenders

D. Regulators

The Fair and Accurate Transactions Act (FACTA) primarily benefits consumers by reinforcing their rights concerning the protection of their personal information and combating identity theft. This law enhances consumers' ability to manage their credit and secure their identity by providing them access to their credit reports and the ability to place fraud alerts. In addition, FACTA includes provisions that require companies to take reasonable measures to protect consumer information. This shift ensures consumers have greater confidence that their sensitive data is secure, which is essential in the context of financial transactions. While lenders, real estate agents, and regulators have roles within the framework of FACTA, the specific protections and rights granted by this law are tailored primarily to address the needs and welfare of consumers.

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7. Under what condition can a reverse mortgage be canceled?

A. Borrower relocates

B. Property remains occupied

C. Borrower dies

D. Home value decreases

A reverse mortgage is a unique financial product designed for older homeowners, allowing them to convert part of their home equity into loan proceeds while retaining ownership of the home. One significant condition under which a reverse mortgage can be canceled is the death of the borrower. When a borrower passes away, the reverse mortgage becomes due and payable, requiring the heirs to either pay off the loan to retain the property or to sell the home to repay the balance. This cancellation condition is essential because reverse mortgages are primarily structured to benefit the borrower(s) during their lifetime, and the loan is not intended to be a long-term obligation beyond their life. It's important to note that the other options typically do not result in an automatic cancellation of the reverse mortgage. For instance, if a borrower relocates, it might impact their occupancy status, but it does not inherently cancel the reverse mortgage unless they no longer meet the occupancy requirements. Similarly, if the property remains occupied, there wouldn't be a reason for cancellation based on occupancy alone. Additionally, a decrease in home value does not trigger cancellation; the loan remains in effect regardless of the property's value unless specific conditions related to occupancy or borrower circumstances, such as death, change.

8. Which of the following is not one of the six required pieces of information for a complete application under RESPA and TILA?

A. Employment History

B. Appraised Value of Property

C. Income Verification

D. Debt to Income Ratio

In the context of a complete application under the Real Estate Settlement Procedures Act (RESPA) and the Truth in Lending Act (TILA), the required pieces of information are specifically outlined to ensure that lenders have all the necessary details to process a loan application accurately. The six required pieces of information typically include the applicant's name, income, social security number, property address, estimated value of the property, and the loan amount sought. While the appraised value of the property is crucial in the overall mortgage process and contributes to the lender's decision-making, it is not explicitly one of the pieces of information required for completing the loan application itself. Instead, the estimated value provided by the applicant is what is needed at the application stage, which is why this choice stands out as not being part of the official six requirements. The other options, such as employment history, income verification, and debt-to-income ratio, are directly relevant to assessing the borrower's ability to repay the loan and are integral to the application process. These elements allow lenders to evaluate creditworthiness and make educated lending decisions.

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9. Which federal law was created to address the practice of redlining?

A. Home Mortgage Disclosure Act

B. Truth in Lending Act

C. Community Reinvestment Act

D. Equal Credit Opportunity Act

The Community Reinvestment Act (CRA) was established to combat the practice of redlining, which refers to the discriminatory practice where banks and lenders refuse to provide loans to individuals in certain neighborhoods, often based on racial or ethnic demographics. The CRA encourages financial institutions to meet the credit needs of all communities in which they operate, particularly low- to moderate-income neighborhoods. By mandating that lenders assess their service to these areas and report on their lending practices, the CRA aims to ensure that everyone has access to mortgage credit and will help combat systemic inequality. This law plays a significant role in promoting fair lending practices and ensuring communities are not neglected in terms of financial services. In contrast, while other laws like the Home Mortgage Disclosure Act merely require transparency in data reporting, the Truth in Lending Act focuses on ensuring that borrowers are fully informed about the terms of credit, and the Equal Credit Opportunity Act prohibits discrimination in lending based on specific characteristics, none of these laws were specifically created to directly address and mitigate the effects of redlining in the same comprehensive way as the CRA.

10. What is another term commonly used for an interest-only loan?

A. Amortized Note

B. Balloon Note

C. Straight Note

D. Fully Amortized Loan

An interest-only loan is often referred to as a straight note. This type of loan allows the borrower to pay only the interest for a specified period, which means that the principal balance remains unchanged during that time. The term "straight" reflects the straightforward nature of these payments, as the borrower is not reducing the loan balance until the interest-only period ends, typically leading to a lump-sum payment or a shift to regular amortized payments thereafter. While the other options may describe different loan structures or characteristics, they do not accurately reflect what an interest-only loan entails. For instance, an amortized note and a fully amortized loan involve repayments that include both principal and interest over the life of the loan, while a balloon note features smaller payments initially with a large final payment at the end, which is distinct from the structure of an interest-only loan.

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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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