REAL ESTATE FINANCING AND SETTLEMENT PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

VISIT US ONLINE FOR THE FULL VERSION STUDY GUIDE

https://realestatefinancingsettlement.examzify.com

Copyright © 2026 by Examzify - A Kaluba Technologies Inc. product.

ALL RIGHTS RESERVED.

No part of this book may be reproduced or transferred in any form or by any means, graphic, electronic, or mechanical, including photocopying, recording, web distribution, taping, or by any information storage retrieval system, without the written permission of the author.

Notice: Examzify makes every reasonable effort to obtain accurate, complete, and timely information about this product from reliable sources.

SAMPLE

Table of Contents

Copyright 1

Table of Contents 2

Introduction 3

How to Use This Guide 4

Questions 5

Answers 8

Explanations 10

Next Steps 15

SAMPLE

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.

SAMPLE

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!

SAMPLE

Questions

SAMPLE

1. How much notice must a new owner give to a month-to-month tenant if they wish to vacate the property?

A. 30 days

B. 60 days

C. 90 days

D. 120 days

2. What factors can influence mortgage interest rates?

A. Cultural trends and regional housing demand

B. Economic conditions and inflation

C. Government foreign policies and international trade

D. Local zoning laws and regulations

3. What are the possible implications of a loan default?

A. Increased loan amounts and flexible repayment plans

B. Opportunity for refinancing with better terms

C. Foreclosure and damage to credit scores

D. Mandatory debt forgiveness by lenders

4. What happens when a buyer participates in a buydown?

A. The buyer increases their principal balance

B. The buyer lowers their interest rate upfront

C. The buyer increases their loan term

D. The buyer has higher closing costs

5. What is commonly true about the down payments in land contracts compared to conventional mortgages?

A. They are typically higher

B. They are paid in installments

C. They tend to be lower

D. They require complete upfront payments

SAMPLE

6. If a home sells for $142,000 and the lender charges 1.75 points for an 80% loan, how much does the buyer pay in loan points?

A. $1,540

B. $1,988

C. $2,100

D. $2,450

7. What happens to junior liens during a foreclosure process?

A. They are prioritized over senior liens

B. They remain intact and unaffected

C. They are wiped out by the foreclosure

D. They become part of the new mortgage

8. What is a conditional use permit in zoning regulations?

A. A permit allowing property to be used for any purpose

B. A permit that allows usage outside standard zoning laws under specific conditions

C. A permit required for new construction only

D. A restricted zoning designation

9. In mortgage financing, what does a buydown accomplish?

A. Reduces the interest rate on a loan by paying a lump sum

B. Increases the property value through extra payments

C. Eliminates the need for private mortgage insurance

D. Extends the loan term without additional cost

10. Which legal code stipulates the recording of a financing statement to establish a lien on personal property?

A. Uniform Property Code (UPC)

B. International Contract Code (ICC)

C. Uniform Commercial Code (UCC)

D. Federal Lien Code (FLC)

SAMPLE

Answers

SAMPLE

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

SAMPLE

Explanations

SAMPLE

1. How much notice must a new owner give to a month-to-month tenant if they wish to vacate the property?

A. 30 days

B. 60 days

C. 90 days

D. 120 days

When a new owner wishes to terminate a month-to-month tenancy, the amount of notice required to vacate the property typically depends on state laws and regulations, which can vary. In many jurisdictions, a notice period of 30 days is standard; however, there are some specific circumstances or local laws that may require longer notice. The correct answer regarding a notice period of 90 days would typically apply in certain areas where local ordinances or specific laws dictate that more time is required for tenants to adjust to their relocation. Factors influencing this could include the tenant's lease terms, local rent control laws, or the duration of the tenant's residency. Overall, 90 days may be mandated in some regions to provide tenants with ample time to find alternative housing, thus promoting fair housing practices and tenant rights. It's crucial for both landlords and tenants to be aware of the specific laws in their area to ensure compliance.

2. What factors can influence mortgage interest rates?

A. Cultural trends and regional housing demand

B. Economic conditions and inflation

C. Government foreign policies and international trade

D. Local zoning laws and regulations

Mortgage interest rates are primarily influenced by economic conditions and inflation. When the economy is strong and growing, demand for loans increases, often leading to higher interest rates as lenders adjust to the increasing demand. Conversely, if the economy is struggling, interest rates may decrease to encourage borrowing and stimulate economic activity. Inflation also plays a crucial role in determining interest rates. When inflation rises, the purchasing power of money declines, prompting lenders to increase interest rates to compensate for the loss in value over time. Thus, higher inflation typically correlates with higher interest rates, as lenders want to ensure that the returns on their loans outpace inflation. Understanding the dynamics of economic conditions and inflation helps borrowers make more informed decisions regarding their mortgage financing. While other factors may have their influence on the real estate market, they do not directly impact interest rates in the same way that broad economic trends and inflation do.

SAMPLE

3. What are the possible implications of a loan default?

A. Increased loan amounts and flexible repayment plans

B. Opportunity for refinancing with better terms

C. Foreclosure and damage to credit scores

D. Mandatory debt forgiveness by lenders

A loan default occurs when a borrower fails to make the required payments on their loan agreement. This situation can lead to significant consequences. The most serious implication of a loan default is foreclosure, where the lender takes possession of the property used as collateral for the loan due to non-payment. This process allows lenders to recover their losses by selling the property. In addition to the risk of foreclosure, a loan default can substantially damage an individual's credit score. A lower credit score can have long-term impacts, such as difficulties in obtaining future loans, increased interest rates, and potential challenges in renting homes or acquiring insurance. Being aware of these repercussions is crucial for borrowers, as they illustrate the importance of maintaining timely payments to avoid default situations. The other options imply outcomes that are generally not associated with loan defaults. Increased loan amounts and flexible repayment plans, as well as opportunities for refinancing with better terms, typically occur when a borrower successfully maintains their loan obligations. Mandatory debt forgiveness by lenders does not align with standard lending practices; lenders generally seek to recover funds upon default rather than absolving the borrower of responsibility.

4. What happens when a buyer participates in a buydown?

A. The buyer increases their principal balance

B. The buyer lowers their interest rate upfront

C. The buyer increases their loan term

D. The buyer has higher closing costs

When a buyer participates in a buydown, they lower their interest rate upfront. A buydown is a financing technique where the buyer (or often the seller) pays an upfront fee to reduce the interest rate on a mortgage. This reduction in the interest rate can lead to lower monthly payments for the buyer. The upfront cost can be seen as an investment in obtaining a more favorable interest rate over the loan's duration, resulting in significant savings over time. This strategy is often beneficial in scenarios where the buyer intends to stay in the home for several years since the initial cost can be recouped through the savings on monthly payments. It provides immediate cash flow benefits by making homeownership more affordable from the outset.

5. What is commonly true about the down payments in land contracts compared to conventional mortgages?

A. They are typically higher

B. They are paid in installments

C. They tend to be lower

D. They require complete upfront payments

Down payments in land contracts tend to be lower compared to those in conventional mortgages. A land contract is a type of seller financing where the seller retains the title to the property until the buyer completes all payments. Because of this arrangement, sellers are often willing to accept smaller down payments as they have an ownership interest in the property throughout the contract term. This makes land contracts more accessible for buyers who may not have sufficient funds for a larger conventional down payment, which is often a significant percentage of the property's purchase price. In contrast, conventional mortgages typically require larger down payments, often ranging from 5% to 20% of the home's price, reflecting the lender's need to mitigate risk and the buyer's investment in the property. This difference makes land contracts an attractive alternative for buyers with limited cash for upfront costs.

SAMPLE

6. If a home sells for $142,000 and the lender charges 1.75 points for an 80% loan, how much does the buyer pay in loan points?

A. $1,540

B. $1,988

C. $2,100

D. $2,450

To determine how much the buyer pays in loan points, start by calculating the loan amount based on the home's selling price and the percentage financed by the lender. If the home sells for $142,000 and the loan is 80% of that, the calculation for the loan amount is: \[Loan Amount = Selling Price \times Loan Percentage = 142,000 \times 0.80 = 113,600 \] Now, points are a form of prepaid interest, where each point equals 1% of the loan amount. Since the lender charges 1.75 points, the calculation will be: \[Points Amount = Loan Amount \times Points Percentage = 113,600 \times 0.0175 = 1,988 \] Thus, the buyer would pay $1,988 in loan points. This amount corresponds to the charge imposed by the lender for providing the loan and is typically assessed at the closing of the transaction, making it an important factor for buyers to consider in overall financing costs.

7. What happens to junior liens during a foreclosure process?

A. They are prioritized over senior liens

B. They remain intact and unaffected

C. They are wiped out by the foreclosure

D. They become part of the new mortgage

During a foreclosure process, junior liens are typically wiped out by the foreclosure. This means that if a property is foreclosed upon due to the non-payment of a senior lien—such as a first mortgage—any junior liens that exist on the property, like second mortgages or mechanics liens, will be eliminated from the title. The successful bidder at the foreclosure auction acquires the property free and clear of any junior liens, as those liens are subordinate to the senior lien that initiated the foreclosure. This is crucial to understanding the hierarchy of liens in real estate financing. The senior lienholder has the first claim to the proceeds from the sale of the property, and since junior liens are established subsequent to the senior lien, they do not take precedence in the case of foreclosure. Therefore, once the foreclosure is completed, these junior liens become unenforceable against the property and no longer encumber the new owner.

8. What is a conditional use permit in zoning regulations?

A. A permit allowing property to be used for any purpose

B. A permit that allows usage outside standard zoning laws under specific conditions

C. A permit required for new construction only

D. A restricted zoning designation

A conditional use permit is a specific zoning mechanism that allows for a property to be utilized in a manner that differs from the established zoning regulations, but only under certain specified conditions. This permit is essential in providing flexibility within the zoning laws, as it permits uses that are not automatically allowed in a particular zoning classification but may be acceptable depending on certain criteria. For example, in a residential zone, a conditional use permit may allow for the establishment of a small daycare or a church, which are uses that might not be typical for that zoning district. However, to receive the permit, the owner must demonstrate that the proposed use can be integrated without negatively impacting the surrounding area or violating the intent of the zoning ordinance. This differs from an unrestricted permit, which would allow any type of usage, and is not limited to construction, as conditional use permits can apply to a variety of situations. It is a strategic planning tool used by zoning boards to balance development needs with community standards.

SAMPLE

9. In mortgage financing, what does a buydown accomplish?

A. Reduces the interest rate on a loan by paying a lump sum

B. Increases the property value through extra payments

C. Eliminates the need for private mortgage insurance

D. Extends the loan term without additional cost

A buydown in mortgage financing is a method that effectively reduces the interest rate on a loan by paying a lump sum upfront. This upfront payment is typically made by the borrower, the seller, or a third party to lower the interest rate for a specified period of time or for the life of the loan. By doing this, the monthly mortgage payment becomes more affordable, making it easier for the borrower to manage their financial obligations. This technique is particularly beneficial in the context of helping borrowers qualify for loans, as lower monthly payments can make a mortgage more accessible. Moreover, it serves as an incentive for both buyers and sellers, as sellers may offer a buydown as a strategy to attract buyers or facilitate the sale of their property. The remaining options do not align with the function of a buydown. While additional payments could theoretically influence property value, that's not the primary purpose of a buydown. Also, eliminating private mortgage insurance typically relates to achieving a lower loan-to-value ratio rather than directly through a buydown. Lastly, extending the loan term without additional cost does not accurately reflect the mechanics of a buydown, since it is focused on reducing interest rates rather than altering loan term structures.

10. Which legal code stipulates the recording of a financing statement to establish a lien on personal property?

A. Uniform Property Code (UPC)

B. International Contract Code (ICC)

C. Uniform Commercial Code (UCC)

D. Federal Lien Code (FLC)

The Uniform Commercial Code (UCC) is fundamental in establishing a legal framework for commercial transactions in the United States, specifically regarding personal property. The UCC contains provisions that require the filing of a financing statement to perfect a security interest in personal property and establish a lien. This means that when a creditor wants to secure a loan with a debtor's personal property, they must file a financing statement, which serves as a public notice of their security interest in that property. The importance of this process lies in providing clarity and protecting the rights of creditors by notifying other potential creditors about the existing security interests. By filing under the UCC, creditors can ensure that they have priority in collecting debts in case of default by the debtor. The other mentioned codes, such as the Uniform Property Code and the International Contract Code, do not specifically address the recording of financing statements or the establishment of liens on personal property. The Federal Lien Code, while it deals with federal liens, is not the governing document for personal property transactions.

SAMPLE

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:

https://realestatefinancingsettlement.examzify.com

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

SAMPLE