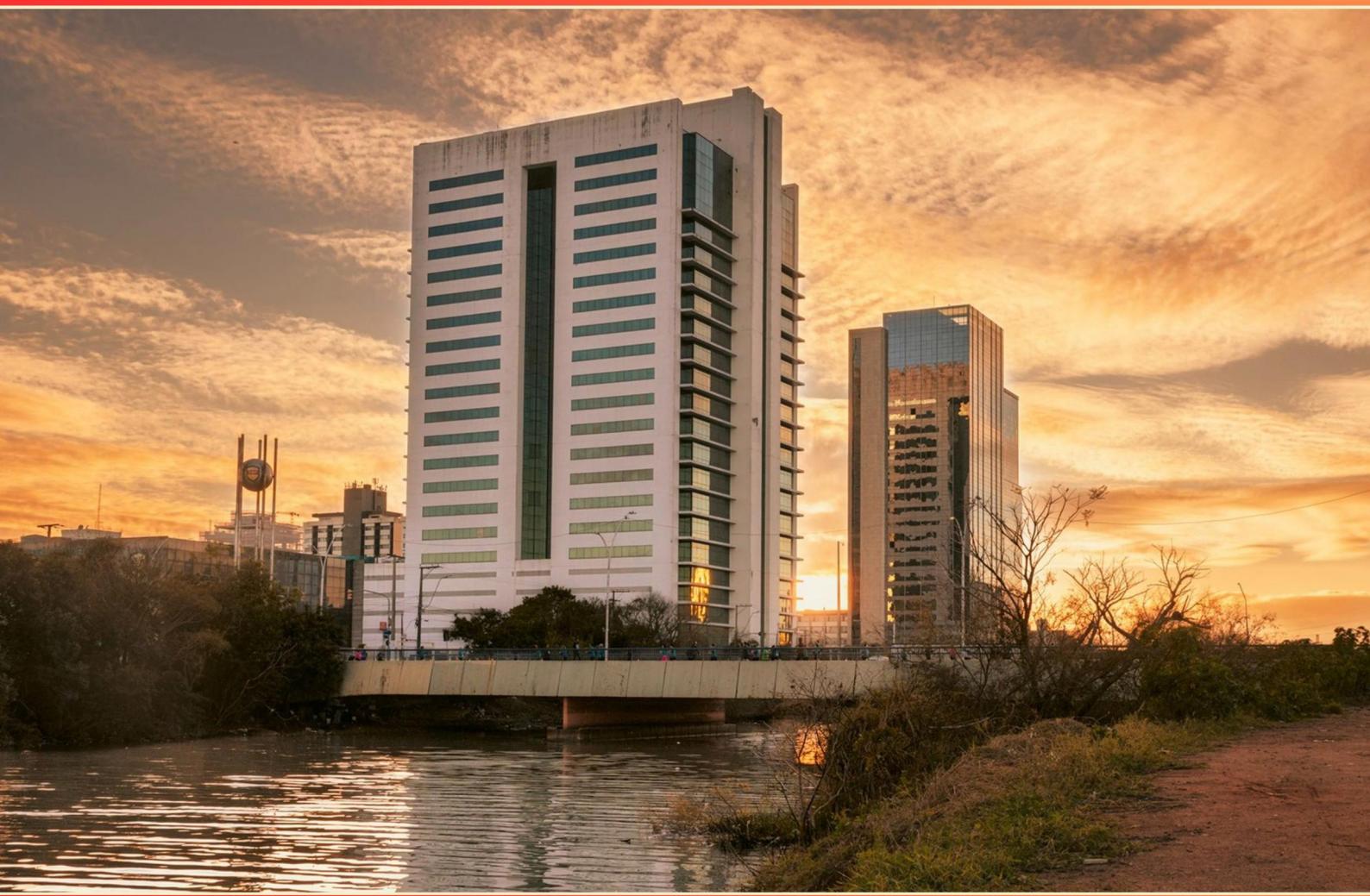
TEXAS REAL ESTATE FINANCE PRACTICE TEST (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

VISIT US ONLINE FOR THE FULL VERSION STUDY GUIDE

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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 is the maximum amount of time a borrower has to cure a default under Texas law before foreclosure?

A. 10 days

B. 30 days

C. 20 days

D. 60 days

2. What is a characteristic feature of a Buyer's Market?

A. Increasing home demand and rising prices

B. Weak demand and decreasing home prices

C. Stable interest rates and high inventories

D. Low inventory and competitive offers

3. What is the primary focus of the Texas Real Estate Commission (TREC)?

A. To manage the enforcement of environmental regulations in housing.

B. To regulate real estate licenses and ensure fair practices in the Texas real estate market.

C. To provide financial assistance for first-time home buyers.

D. To oversee the appraisal process of real estate transactions.

4. What is loan underwriting?

A. The process of collecting loan payments

B. The analysis and approval of a loan

C. The recording of loan agreements

D. The appraisal process for property

5. What is one key benefit of obtaining title insurance?

A. It's a mandatory requirement by the lender

B. It protects against legal claims to property ownership

C. It lowers property taxes

D. It guarantees the home is free of defects

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6. What does APR stand for and why is it important?

A. Adjusted Percentage Rate; it affects the total payment

B. Annual Percentage Rate; it reflects the total cost of borrowing

C. Annual Payment Rate; it represents monthly payments

D. Authorized Payment Rate; it indicates interest only

7. What must a borrower do to avoid PMI on conventional loans?

A. Make a 10% down payment

B. Obtain special insurance

C. Put down at least 20%

D. Get pre-approved for the loan

8. What is a mortgage commitment?

A. A lender's formal offer to provide funding for a specified loan under agreed terms

B. A conditional loan agreement between two parties

C. An informal promise to lend money for home purchase

D. A document outlining the repayment history of a loan

9. What is the current maximum loan to value ratio for FHA loans?

A. 90%

B. 92%

C. 95%

D. 96.5%

10. In Texas, how long does a lender have to provide a Borrower's Last Disbursement Notice?

A. 15 days

B. 30 days

C. 45 days

D. 60 days

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Answers

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

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Explanations

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1. What is the maximum amount of time a borrower has to cure a default under Texas law before foreclosure?

A. 10 days

B. 30 days

C. 20 days

D. 60 days

Under Texas law, a borrower has a maximum of 20 days to cure a default before the lender can proceed with foreclosure. This period is designed to provide the borrower with an opportunity to remedy the situation by addressing any missed payments or defaults before the severe consequence of foreclosure can take place. This framework not only aids borrowers in maintaining their homes but also reflects the state's approach to handling loan defaults, emphasizing communication and resolution prior to initiating foreclosure. Understanding this timeline is crucial for any party involved in real estate finance in Texas, as it outlines both the responsibilities of borrowers and the actions that lenders can take in the event of a default.

2. What is a characteristic feature of a Buyer's Market?

A. Increasing home demand and rising prices

B. Weak demand and decreasing home prices

C. Stable interest rates and high inventories

D. Low inventory and competitive offers

In a Buyer's Market, the key characteristic is weak demand coupled with decreasing home prices. This situation typically occurs when there are more homes available for sale than there are buyers in the market. When inventory levels are high and demand is low, sellers may be forced to lower prices to attract buyers, leading to a decrease in home values. This environment favors buyers, as they have more negotiating power and may find better deals due to the oversupply of properties. The other conditions do not represent a Buyer's Market. A market with increasing home demand and rising prices reflects a Seller's Market, where competition among buyers drives prices up. Stable interest rates and high inventories could indicate market stability but do not specifically define a Buyer's Market. Similarly, low inventory and competitive offers point towards increased demand, which is characteristic of a Seller's Market rather than a Buyer's Market.

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3. What is the primary focus of the Texas Real Estate Commission (TREC)?

A. To manage the enforcement of environmental regulations in housing.

B. To regulate real estate licenses and ensure fair practices in the Texas real estate market.

C. To provide financial assistance for first-time home buyers.

D. To oversee the appraisal process of real estate transactions.

The primary focus of the Texas Real Estate Commission (TREC) is to regulate real estate licenses and ensure fair practices in the Texas real estate market. This includes overseeing the licensing of real estate agents, brokers, and inspectors, which helps maintain a standard of professionalism and ethical behavior within the industry. TREC is responsible for enforcing the Texas Real Estate License Act, which aims to protect consumers and ensure a competitive market by requiring individuals to meet specific qualifications and adhere to established laws and regulations. This oversight is essential to safeguarding the interests of both consumers and licensed professionals in real estate transactions. Other options, while related to the broader field of real estate, do not accurately represent TREC's primary responsibilities. For instance, environmental regulations are typically managed at different governmental levels and aren't TREC's focus. Financial assistance programs for first-time homebuyers are usually managed by various state and federal agencies rather than TREC itself. The appraisal process, while important in real estate transactions, falls under the jurisdiction of a separate entity known as the Texas Appraiser Licensing and Certification Board, which operates independently from TREC.

4. What is loan underwriting?

A. The process of collecting loan payments

B. The analysis and approval of a loan

C. The recording of loan agreements

D. The appraisal process for property

Loan underwriting refers to the critical process by which lenders assess the risk associated with granting a loan to a borrower. It involves a comprehensive evaluation of various factors, such as the borrower's creditworthiness, income, employment history, and overall financial situation, as well as the value and condition of the property being financed. The primary goal of underwriting is to determine whether the borrower meets the lender's criteria for loan approval and to establish the terms under which the loan will be granted. This process helps ensure that the lender is making a sound investment while providing protections against potential defaults. The underwriter ultimately decides if the loan will be approved or denied, based on the information gathered and analyzed during this phase. In contrast, collecting loan payments pertains to the servicing of the loan post-approval, recording loan agreements involves documenting the legal terms of the loan, and the appraisal process is focused on assessing the market value of the property, which is a task often conducted before or during underwriting but is not the same as the underwriting process itself.

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5. What is one key benefit of obtaining title insurance?

A. It's a mandatory requirement by the lender

B. It protects against legal claims to property ownership

C. It lowers property taxes

D. It guarantees the home is free of defects

Obtaining title insurance provides a significant advantage in safeguarding against legal claims to property ownership. This protection is crucial as it ensures that the policyholder will be defended against disputes that may arise, such as claims from unknown heirs, errors in public records, or fraudulent signatures. If any issues come forward concerning the title after the purchase of the property, title insurance covers the legal costs involved in resolving these claims, ensuring that the property buyer has a secure and undisputed ownership. This benefit stands out because it addresses one of the most essential aspects of real estate transactions: clear and marketable title. Without title insurance, buyers could face financial loss if a claim were to arise, potentially jeopardizing their investment or ownership rights. Other options either do not reflect the primary function of title insurance or involve aspects that are not consistently true in all cases. For instance, while lenders often do require title insurance to protect their interests, it is not universally mandatory for all buyers. Similarly, title insurance does not influence property taxes, nor does it guarantee that the home is free of defects, which falls outside its purview. Hence, the benefit of protection against legal claims is the central focus of title insurance.

6. What does APR stand for and why is it important?

A. Adjusted Percentage Rate; it affects the total payment

B. Annual Percentage Rate; it reflects the total cost of borrowing

C. Annual Payment Rate; it represents monthly payments

D. Authorized Payment Rate; it indicates interest only

Annual Percentage Rate, commonly abbreviated as APR, is a critical metric in real estate finance as it provides a comprehensive view of the total cost of borrowing. This figure includes not just the interest rate charged on a loan, but also any associated fees and costs that are charged throughout the life of the loan. By reflecting the total cost of borrowing, APR allows borrowers to make informed comparisons between different lending options, helping them understand what they will ultimately pay over the life of the loan. Understanding APR is vital for borrowers because it transcends the simplicity of interest rates alone, enabling them to gauge the true expense of taking on a loan. This aspect of APR makes it a powerful tool for consumers, particularly when comparing loans that may have different associated fees, terms, or interest rates. A lower interest rate might seem attractive, but when considering fees that contribute to a higher APR, the borrower can see a clearer picture of what they will actually pay. The other options do not capture the broader implications of APR. For example, the term "Adjusted Percentage Rate" does not accurately describe what APR stands for. "Annual Payment Rate" and "Authorized Payment Rate" misinterpret the concept entirely, as they focus on monthly payments or denote interest-only scenarios without encompassing the total

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7. What must a borrower do to avoid PMI on conventional loans?

A. Make a 10% down payment

B. Obtain special insurance

C. Put down at least 20%

D. Get pre-approved for the loan

To avoid Private Mortgage Insurance (PMI) on conventional loans, a borrower must make a down payment of at least 20%. PMI is typically required by lenders when a borrower puts down less than 20% of the purchase price of a home, as it protects the lender in case of default. By making a 20% down payment, the borrower demonstrates a greater equity stake in the property, which mitigates the lender's risk and eliminates the need for PMI. A down payment of 10% may still require PMI, as it does not meet the minimum threshold of equity that lenders are comfortable with. Special insurance is not the same as avoiding PMI; it represents an additional cost rather than a way to bypass PMI. Getting pre-approved for a loan is a separate process related to verifying a borrower's financial situation and does not directly influence the requirement for PMI. A down payment of 20% or more is the most effective way to avoid this extra cost altogether.

8. What is a mortgage commitment?

A. A lender's formal offer to provide funding for a specified loan under agreed terms

B. A conditional loan agreement between two parties

C. An informal promise to lend money for home purchase

D. A document outlining the repayment history of a loan

A mortgage commitment is indeed a lender's formal offer to provide funding for a specified loan under agreed terms. This document is essential in the mortgage process, as it signifies that the lender has evaluated the borrower's financial situation, property appraisal, and creditworthiness, and has decided to proceed with the loan under specific conditions. The mortgage commitment details the amount of money the lender is willing to lend, the interest rate, the loan duration, and any conditions that must be met before the loan can be finalized, such as the approval of a property inspection or submission of additional documentation. It serves as a guarantee to the borrower that the lender will provide the funds needed to purchase the property once all conditions are satisfied. In other scenarios, terms such as a conditional loan agreement might suggest that certain additional criteria need to be met, but a mortgage commitment carries more weight, confirming the lender's intent to lend and outlining the terms under which they would do so. Informal promises and documents outlining repayment history are not accurate representations of a mortgage commitment and do not convey the same level of formality or assurance.

9. What is the current maximum loan to value ratio for FHA loans?

A. 90%

B. 92%

C. 95%

D. 96.5%

FHA loans have specific guidelines regarding the loan-to-value (LTV) ratio to help borrowers secure financing with lower down payments. The maximum LTV ratio for FHA loans is set at 96.5%. This means that a borrower can finance up to 96.5% of the property's appraised value or purchase price, whichever is lower. This aspect is particularly beneficial for first-time homebuyers who might not have substantial savings for a down payment. By allowing for a higher LTV, the FHA program expands access to homeownership for a broader range of borrowers, especially those who may be lower-income or have less-than-perfect credit histories. Therefore, the 96.5% LTV reflects the FHA's goal of promoting homeownership while still managing risk in its insurance programs.

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10. In Texas, how long does a lender have to provide a Borrower's Last Disbursement Notice?

A. 15 days

B. 30 days

C. 45 days

D. 60 days

In Texas, a lender is required to provide a Borrower's Last Disbursement Notice within 30 days. This notice serves to inform the borrower about the final disbursement of their loan funds, ensuring transparency in the lending process. The 30-day timeframe is established by Texas law to protect borrowers, allowing them to be fully informed about their loan status and any associated financial obligations. This regulation is part of the broader effort to promote responsible lending practices and enhance consumer protection within the real estate finance sector in Texas.

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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:

https://txrealestatefinance.examzify.com

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

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