

# Affinity Real Estate and Mortgage Services Practice Exam (Sample)

## Study Guide



**Everything you need from our exam experts!**

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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.

# 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!**

## Questions

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- 1. The cost of funds index is traditionally used to determine interest rates on what type of loans?**
  - A. 15 and 30 year fixed rate programs**
  - B. Rate adjustments on adjustable rate programs**
  - C. Home equity lines of credit**
  - D. Reverse mortgages**
  
- 2. What does TILA stand for?**
  - A. Truth in Lending Act**
  - B. Trust in Lenders Act**
  - C. Transparency in Loan Investments Act**
  - D. Tenure in Lending Act**
  
- 3. Which statement about loan origination fees on a loan estimate is false?**
  - A. The fee cannot change unless there is a changed circumstance**
  - B. The fee includes services performed by or on behalf of the MLO**
  - C. Lender and mortgage broker fees for the same transaction must be itemized**
  - D. Origination fees must be expressed as a lump sum**
  
- 4. What is the primary role of a mortgage broker?**
  - A. To sell real estate**
  - B. To originate and negotiate mortgage loans for clients**
  - C. To manage properties**
  - D. To provide investment advice**
  
- 5. Who is responsible for determining the need for flood insurance?**
  - A. The appraiser**
  - B. The title company**
  - C. The loan officer**
  - D. The lender**

- 6. On which section of the application would a borrower disclose issues impacting repayment ability, like outstanding judgments?**
- A. Section 1**
  - B. Declarations**
  - C. Assets and liabilities**
  - D. Information for government reporting**
- 7. Which document does the VA use to determine the amount of a veteran's entitlement?**
- A. COE**
  - B. CRV**
  - C. DD-214**
  - D. URUR**
- 8. What is the primary purpose of a title insurance policy?**
- A. To protect the lender against claimed ownership**
  - B. To protect the buyer from property defects**
  - C. To ensure the property's value**
  - D. To cover the cost of foreclosures**
- 9. Which of the following documents is recorded with the county to notify the public of the lender's security interest in the subject property?**
- A. The note**
  - B. The lien establishment rider**
  - C. The mortgage**
  - D. The closing disclosure**
- 10. In a reverse mortgage, what is the primary source of repayment?**
- A. A sale of the home**
  - B. Monthly payments by the borrower**
  - C. Refinancing**
  - D. Loan forgiveness**

## **Answers**

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

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## **Explanations**

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**1. The cost of funds index is traditionally used to determine interest rates on what type of loans?**

**A. 15 and 30 year fixed rate programs**

**B. Rate adjustments on adjustable rate programs**

**C. Home equity lines of credit**

**D. Reverse mortgages**

The cost of funds index is primarily utilized to determine interest rates on adjustable rate mortgage (ARM) programs. This index reflects the cost of obtaining funds for lenders in the financial markets and serves as a benchmark for adjusting the interest rates on ARMs. When the index fluctuates, it indicates changes in the financial environment that impact the costs associated with borrowing, and thus, it directly influences the interest rates charged to borrowers with adjustable rate loans. Borrowers benefit from this system since their interest rates can potentially decrease when the cost of funds index lowers, making their loan costs more favorable. In contrast, fixed-rate programs, home equity lines of credit, and reverse mortgages do not typically base their interest rates on this kind of index. Fixed-rate loans maintain a consistent interest rate for the duration of the loan, while home equity lines of credit and reverse mortgages follow different mechanisms for determining rates, relying more on the prime rate or established margins rather than a cost of funds index.

**2. What does TILA stand for?**

**A. Truth in Lending Act**

**B. Trust in Lenders Act**

**C. Transparency in Loan Investments Act**

**D. Tenure in Lending Act**

TILA stands for the Truth in Lending Act. Enacted in 1968, this federal law was designed to promote transparency and honesty in lending practices by requiring lenders to disclose key terms and costs associated with borrowing. The primary goal of TILA is to protect consumers from deceptive lending practices and to ensure that they have access to the necessary information to make informed financial decisions. This includes clear disclosures about interest rates, annual percentage rates (APRs), and total costs of loans, enabling consumers to compare different offers and understand their obligations when entering into credit agreements. The act also includes provisions regarding the right of rescission, allowing borrowers a certain period to reconsider a loan agreement after closing.

### 3. Which statement about loan origination fees on a loan estimate is false?

- A. The fee cannot change unless there is a changed circumstance
- B. The fee includes services performed by or on behalf of the MLO
- C. Lender and mortgage broker fees for the same transaction must be itemized**
- D. Origination fees must be expressed as a lump sum

The statement that is identified as false relates to the requirement for itemizing lender and mortgage broker fees for the same transaction. In reality, while lenders and mortgage brokers often work together, it is not mandatory that their fees be itemized separately on the loan estimate. Depending on the specific agreement between the borrower, lender, and broker, these fees may be combined, making it simpler for the borrower to understand the total costs associated with the loan. This can sometimes lead to a more streamlined presentation of costs, avoiding potential confusion for the borrower. The other statements are accurate reflections of regulations and common practices surrounding loan origination fees. For instance, loan origination fees are typically fixed once the loan estimate is provided, barring significant changes in circumstances, ensuring consistency for the borrower. Furthermore, the origination fees do encompass the services performed directly by the mortgage loan originator (MLO), reflecting the comprehensive costs associated with acquiring the loan. Lastly, conveying origination fees as a lump sum rather than itemizing individual components helps provide clarity regarding the total cost, aligning with regulatory standards meant to inform borrowers transparently.

### 4. What is the primary role of a mortgage broker?

- A. To sell real estate
- B. To originate and negotiate mortgage loans for clients**
- C. To manage properties
- D. To provide investment advice

The primary role of a mortgage broker is to originate and negotiate mortgage loans for clients. This involves acting as an intermediary between borrowers and lenders, helping clients find the best mortgage products to suit their financial needs and circumstances. A mortgage broker assesses the client's financial situation, collects necessary documentation, and then shops for loans from various lenders, often leveraging their knowledge of the mortgage market to negotiate favorable terms. In fulfilling this role, mortgage brokers play a crucial part in streamlining the borrowing process. They not only provide access to a variety of loan options but also guide clients through the complexities of mortgage agreements, ensuring that they understand the implications of their choices. This service is particularly valuable to clients who may not have the time or expertise to navigate the lending landscape on their own. Understanding mortgage options and securing financing can significantly impact a client's financial health, making the broker's role pivotal in the real estate transaction process.

**5. Who is responsible for determining the need for flood insurance?**

- A. The appraiser**
- B. The title company**
- C. The loan officer**
- D. The lender**

In the context of determining the need for flood insurance, the correct answer is that the lender is the primary entity responsible. Lenders are required to assess and ensure that properties securing loans are adequately protected against potential flood risks. They utilize flood zone maps and other tools to identify whether a property is located in a designated flood zone as per FEMA (Federal Emergency Management Agency) regulations. If the property is found to be in a flood zone, the lender will typically mandate that the borrower obtain flood insurance to safeguard the investment. The lender's responsibility revolves around compliance with federal laws and regulations that protect both the lender and the borrower against losses incurred due to flooding. This ensures that if a property is damaged by flooding, the insurance can cover the costs, thus protecting the financial interests at stake. While the appraiser may identify property characteristics that might indicate flood risk, they do not make the final determination on the requirement for flood insurance. Title companies focus on providing clear title and do not assess property risks for flood insurance. Loan officers help facilitate the loan process and might discuss insurance, but they rely on the lender's guidelines to determine the need for flood insurance. Therefore, the lender is the entity that ultimately bears the responsibility for determining the requirement for flood insurance coverage.

**6. On which section of the application would a borrower disclose issues impacting repayment ability, like outstanding judgments?**

- A. Section 1**
- B. Declarations**
- C. Assets and liabilities**
- D. Information for government reporting**

The borrower would disclose issues impacting repayment ability, such as outstanding judgments, in the Declarations section of the application. This section is specifically designed for applicants to provide important information regarding their financial situation, including any legal judgments, bankruptcies, or other circumstances that could affect their ability to repay the loan. The Declarations section asks direct questions that address circumstances which could impact a borrower's financial health and repayment capability, making it the most appropriate place for such disclosures. Other sections like Assets and Liabilities focus more on the borrower's current financial standing and net worth, while Information for Government Reporting pertains to demographic information required for regulatory compliance, and Section 1 typically covers personal identification data. Therefore, the Declarations section is essential in ensuring that lenders have a complete picture of all potential risks associated with the borrower's repayment ability.

**7. Which document does the VA use to determine the amount of a veteran's entitlement?**

- A. COE**
- B. CRV**
- C. DD-214**
- D. URUR**

The correct document that the VA uses to determine the amount of a veteran's entitlement is the Certificate of Eligibility (COE). The COE is a crucial document that verifies the veteran's eligibility for VA loan benefits, including the entitlement amount. This document is essential in the loan application process as it outlines the entitlement available for use toward a VA loan. The COE includes important information such as the veteran's service history and the amount of entitlement that has been earned, which ultimately influences the loan limits and conditions for VA financing. Other documents, such as the CRV (Certificate of Reasonable Value), which assesses the value of the property being purchased, and the DD-214, which is a discharge document detailing a service member's military record, do not determine entitlement amounts. The URUR is not a standard document and does not pertain to VA loan entitlement matters. Understanding these distinctions is important for navigating VA loan processes effectively.

**8. What is the primary purpose of a title insurance policy?**

- A. To protect the lender against claimed ownership**
- B. To protect the buyer from property defects**
- C. To ensure the property's value**
- D. To cover the cost of foreclosures**

The primary purpose of a title insurance policy is to protect the buyer from property defects. When a buyer purchases a property, they want assurance that the title is clear of any issues that could affect their ownership rights. Title insurance serves as a safeguard against potential legal challenges regarding the property's title, such as undisclosed liens, encroachments, or ownership disputes that may arise after the purchase. By providing coverage for these potential defects, title insurance ensures that the buyer can confidently proceed with the transaction, knowing that they are protected from financial loss related to issues that were not identified during the title search. This protection is crucial, as it helps mitigate risks that could lead to costly disputes or claims against the property in the future. While the other options may seem related to real estate transactions, they do not accurately capture the core function of title insurance as it pertains directly to verifying and protecting ownership rights against defects in the property's title.

**9. Which of the following documents is recorded with the county to notify the public of the lender's security interest in the subject property?**

- A. The note**
- B. The lien establishment rider**
- C. The mortgage**
- D. The closing disclosure**

The document that is recorded with the county to notify the public of the lender's security interest in the subject property is the mortgage. When a mortgage is recorded, it creates a public record indicating that the lender has a claim against the property as collateral for the loan. This recording is essential because it establishes the lender's legal right to the property in the event of default by the borrower, thereby protecting the lender's financial interest. The recorded mortgage includes crucial information about the parties involved, the property, and the terms of the loan. This public notice is important for various stakeholders, including potential buyers or other creditors, as it communicates that the property is encumbered by a debt. In contrast, other documents such as the note—which outlines the borrower's promise to repay the loan—and the closing disclosure, which details the financial aspects of the transaction, are not recorded with the county and do not serve to establish a public record of the lender's security interest. The lien establishment rider is a specific agreement that may relate to the mortgage but does not, by itself, function as the recorded document that communicates the security interest.

**10. In a reverse mortgage, what is the primary source of repayment?**

- A. A sale of the home**
- B. Monthly payments by the borrower**
- C. Refinancing**
- D. Loan forgiveness**

In a reverse mortgage, the primary source of repayment is indeed derived from the sale of the home. This type of loan allows homeowners, typically seniors, to convert part of the equity in their home into cash without having to sell the home or make monthly mortgage payments. Instead, the loan amount, including accrued interest and fees, is repaid when the homeowner sells the home, moves out of the home, or passes away. Once the home is sold, the proceeds from the sale are used to pay off the reverse mortgage. If any remaining equity exists after the loan is repaid, it is given to the homeowner or their heirs. This repayment mechanism makes the sale of the home the critical component in settling the debt associated with a reverse mortgage. Thus, understanding that the sale of the home is how the lender ultimately recoups their investment is essential in grasping the workings of reverse mortgages.

## 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](mailto:hello@examzify.com).**

**Or visit your dedicated course page for more study tools and resources:**

**<https://affinityrealestatemortgage.examzify.com>**

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

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